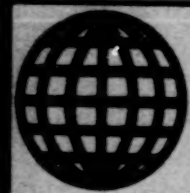


JPRS-UEA-89-004  
15 FEBRUARY 1989



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# ***JPRS Report***

## **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-89-004

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### U.S.-USSR Roundtable Assesses Opposition to Restructuring

18200139 Moscow OGONEK in Russian No 50, Dec 88  
(signed to press 6 Dec 88) pp 10-14

[Roundtable materials prepared for the press by Valeriy (Vyzhutovich) and Vladimir Glotov: "Perestroyka: Who Is Against? A View From Either Side of the Ocean"]

[Text] This meeting, a report on which follows, was held at the beginning of November. It was held on the initiative of OGONEK and the American journal SOVIET ECONOMY. What do you think of the course of the political and economic reform? What, in your view, is the correlation of forces in the struggle for social renovation? Who or what hinders the progress of Soviet society on the path of perestroyka? What should be undertaken for this movement to assume irreversible features and become a prerequisite and a guarantee for true democratization in all areas of life, and lead the USSR to the track of a healthy and effective economy? These were the topics of a joint discussion held by American and Soviet specialists. Until very recently such a discussion would have been impossible. A great wall resting on the broad foundation of political prejudices, ideological regulations and propaganda stereotypes divided us. Perestroyka weakened this wall and made initial breaches in it. It led political thinking to an area not polluted with dogmas, something which is so greatly necessary today for both sides in order to make them aware of both their own and their common destinies. Some viewpoints expressed by the participants in the discussion were by no means uncontroversial; others suffered from some extremes; however, the discussion was noted for the common concern expressed for the outcome of the project which was initiated in April 1985 and the aspiration honestly and impartially to evaluate initial results, as well as a spiritually intense search for "a way to the temple."

The following took part from the American side:

Victor Winston, president of the Victor Winston and Sons Company, publisher and Sovietologist; Edward Hewett, editor in chief of the journal SOVIET ECONOMY; Stephen Cohen, Princeton University professor; Gregory Massel, professor, Hunter College; Peter Reddway, president of Kenyon University; Stephen Shabad, NEWSWEEK commentator; and David Shipley, senior fellow, Carnegie Foundation for International Peace.

On the Soviet side:

Andrey Sakharov, academician; Pavel Bunich, USSR Academy of Sciences corresponding member; Yuriy Afanasyev, doctor of historical sciences, rector, Moscow Historical-Archive Institute; Nikolay Shmelev, doctor of economic sciences, department head, USSR Academy of

Sciences U.S. and Canada Institute; Igor Klyamkin, candidate of philosophical sciences, senior scientific associate, USSR Academy of Sciences Institute of Economics of the World Socialist System; Leonid Batkin, candidate of historical sciences, senior scientific associate, USSR Academy of Sciences Institute of General History; Aleksandr Gelman, writer; and Aleksandr Avelichev, director, Progress publishing house. The meeting was opened by Vitaliy Korotich, OGONEK editor in chief. Following is the abridged version. The full text of the meeting will be published in the American journal SOVIET ECONOMY.

### Three Million Overseers

V. Korotich: It seems to us that the meeting between American and Soviet researchers and thinkers is exceptionally important. We shall discuss the political and economic aspects of perestroyka. As we established in advance, the topic of supporters and opponents of perestroyka could, in the course of the discussion, assume any aspect, for we are discussing today's world and how to live in it. We want a world based on trust. We are entangled in the chains of economic and ideological absurdities. One of them is the image of the enemy, on the creation of which billions in various currencies were spent. In our country, for years we have become accustomed to believe that a person who thinks differently is an enemy. Stalin's persistent idea of hostile surrounding and spies within the country distorted our lives. The reforms in our country, both under Peter and Stalin, were accompanied by increased slavery. We have realized this well and today it is a question of the fact that reforms must be paralleled by an increased area of freedom. The people are tired. Some of those who are tired would like to go back to the "firm hand." It is being insinuated to them that returning to the "firm hand" can only be beneficial. Today many of those who advanced by inflating the image of the enemy remain in power. The people who did everything possible to humiliate and exile Academician Sakharov, this outstanding scientist and thinker who is with us today, and the people who struggled for him to return and resume his proper position in his society frequently work within the same institutions and address the same conferences....

In starting this discussion, let us emphasize that one of the psychological barriers of perestroyka is that we expect continuous benefits from it. Let us just complete perestroyka and a problem-free life will begin! These are naive expectations.... The point is that democracy as well has its contradictions and even, sometimes, negative aspects. However, let us determine what it is that we wish: an iron fist, violence or democracy? We must not forget that today in this country we are only beginning to develop a political standard. For many years our political struggle consisted of anecdotes and discussions around the kitchen table....

We are emerging out of the crisis. One can come out of a crisis by taking a step forward or a step backward. We want to take a step forward. For a long time, lately in

particular, the Europeans have inseparably linked the Russian and American problems in their minds. That is precisely why the discussion involving noted American scientists and noted representatives of the Soviet side seems to us very important. Shall we begin? The floor is open.

**P. Reddway:** Many Soviet officials in ministries, in the party and the central organizations of the USSR proclaim themselves supporters of decisive changes. However, they should be more specific, for which reason I would like to clarify several questions. How great is the opposition in the ministries? What is the attitude toward perestroika in the various CPSU Central Committee departments? What is taking place there in terms of forming commissions and closing down some departments? My second question is that of the attitude toward perestroika in the outlying areas. I have heard that many local party leaders are by no means enthusiastic at the idea of the increased role of the soviets. Is this true? I would also like to know the opinion of the Soviet participants on the expediency of combining the two positions, that of party and soviet leader. Forgive me but I still need a great deal of enlightenment, both for my own sake and for making the topic clear.

**M. Shmelev:** The way I understand it, here we are expressing our own personal viewpoints and are personally responsible for it. Thus, no one will deny that there is opposition to perestroika. However, one should not think that Soviet bureaucracy consists exclusively of criminals or fools. No, in their majority they are quite skilled people with good training. But then try to understand the bureaucrat in the ministry who has had functions he has been performing for several decades. He is called upon to live in a new style, but his functions remain the same. It is the functions that determine the number of such bureaucrats, for which reason: mechanical efforts to reduce the personnel of ministries by 30 to 50 percent are worthless. It is not people but functions that must be reduced. The same applies to the local party apparatus, where today many people are in a state of confusion. On the one hand, they are called upon to give scope for autonomy, not interfere in current economic affairs and close down sectorial departments. Meanwhile, they retain all of their old functions. Hence the opposition of part of the party apparatus. If an obkom secretary is, as in the past, responsible for certain amounts of grain or milk, and if the raykom secretary is answerable with his party card and career for the same matters, and both are called upon not to interfere in economic life, an insoluble contradiction appears. It can and, it seems to me, it will be automatically resolved by itself if, for instance, the function of extracting mandatory procurements from our agricultural enterprises is abolished. I understand why our managers do not dare to take this step; they are motivated by the fear of what would happen if all of a sudden we are left without anything? These are understandable yet unjustified fears. The moment the function of mandatory procurements, which secures the administrative pyramid, is eliminated,

the economic foundation of the opposition of the apparatus to perestroika will be eliminated as well. The opposition on the lower level is particularly high. As to the countryside.... Pavel Grigoryevich, how many people are there employed in agriculture in our country?

**P. Bunich:** About 14 million.

**N. Shmelev:** Add to the 14 million 3 million professional overseers! What will happen under the new conditions to these 3 million is anyone's guess. It is these people who are, not in words but in fact, the most influential opponents of minicooperatives and family farms.... But how to fight them? This is a more serious problem. This is much more difficult than to crush the resistance of a ministry official.

#### Those Who Wait in Line

**L. Batkin:** I am not so sure that we should discuss who in our country is an opponent of perestroika. In the final account, all of us realize that it is no longer possible to live as in the past. I greatly value the efforts of Academician Zaslavskaya, who tried in the collection "*Inogo ne Dano*" [Nothing Else is Possible] somehow to identify the social groups in Soviet society from the viewpoint of their attitude toward perestroika. This attempt, it seems to me, was not entirely successful. One could speak of strata and groups within our society only conventionally, bearing in mind groups which have become professionally and politically defined, and which are aware of their interests and ready to defend them. Our society has quite an amorphous structure. It consists essentially of the people who stand in line, except for those who enjoy official privileges and those who are closely linked to the shady economy and can enjoy the same privileges on the quiet. The overwhelming majority of the population consists of people standing in line. It is about these people who stand in line that we should talk. But who stands in line? The worker, the physician, the teacher, the scientific associate.... A crowd of people who experience the same difficulty in getting theater tickets for a good performance and find it identically difficult to believe that their opinion and views could influence the situation, perhaps in their own rayon or oblast. In that sense all of us live under quite similar circumstances and it becomes incredibly difficult under such conditions to single out individual social groups.

Now as to the supporters and opponents of perestroika. As to the opponents, in my view, the situation is clear. I totally agree with Professor Shmelev, who rightly claims that if it is demanded of even the most intelligent and good person heading the party raykom for his rayon to deliver on time and, even better, ahead of time and with overfulfillment, a specific farm commodity, it is totally senseless to call upon him to grant economic freedom to sovkhozes and kolkhozes. However, there was a certain contradiction in the statement by Nikolay Shmelev. He said that in our country we have 3 million overseers and what will happen to them in the future? The point is that



they have no other professional skill! Perhaps it is not only their functions that hinder perestroika. Also hindering are the people themselves, who are vitally linked to such functions. For example, the chief physician in a hospital is frequently a poor physician because a good physician will not go into administrative work or, if he did, he would soon lose his skill as a physician.

Naturally, I acknowledge that some of these overseers-drivers are competent people and that some of them could restructure themselves under the new conditions. However, how many are those who are incompetent, and how many are those who still do poor work and are unable to manage the production process. These are not bad people by any means. They obtained a good education, but frequently and not by their own fault, they were not hired as specialists. Perestroika demands of them high skills which, alas, they lack. They have become accustomed to low wages and to doing poor work. They are more accustomed to this than to seek a greater salary which will demand of them something which they are unable to do. This is a tremendous problem. That is why my conclusion is that, motivated by self-preservation, a certain number of people will oppose a decisive and radical perestroika. Look at the results of the vote at the USSR Supreme Soviet session. Only 31 people decided to vote independently against the ukase according to which the MVD would be given some uncontrollable, as I see it, rights and opportunities. I do not wish to say that the overwhelming majority are against perestroika but it seems to me that many of them are against a fast and radical perestroika. There are a great many things which we do not know. For example, I know little about the mood in the Armed Forces and, particularly, the mood of the country's officer corps.... This is a deep secret. Recently, however, I was given food for thought. The son of acquaintances of mine is in the Armed Forces. One of his commanders saw him read an issue of ZNAMYA, which included Shatrov's play "On and On and On...." The journal was confiscated, the private was reprimanded and warned of the inadmissibility of reading subversive literature.... I do not know, and probably no one knows, how many such officers there are among us? We have not the slightest idea of what the people working in the huge buildings of the KGB are doing in the area of internal policy. I have heard nothing about any reduction of this apparatus. It is working! On what? What are its tasks within the country? In my view, democratization and glasnost mean that the volume of such tasks must be drastically reduced and, consequently, there should be a reduction in the apparatus. Is this being contemplated?

One could discuss at length who is for and who is against perestroika. Not everything is clear in this area, perhaps for the fact alone that I can imagine a manager who is both for and against perestroika, since, on the one hand, he realizes the need for radical change and, on the other, he feels a great deal of apprehension concerning such changes. And so, he presses both the gas and the brake

pedal simultaneously. I do not drive a car and I do not know what happens to a car in such a case, if both the gas and brake pedals are pressed simultaneously.

N. Shmelev: Depends on which pedal you press harder.

A. Sakharov: Sometimes both are pressed simultaneously with all possible force.

L. Batkin: We were able to feel this. Today we read one speech by a leading official and tomorrow another and we think: The first time he pressed the gas pedal and the second, the brakes. That is why to discuss who is against perestroika is, in my view, useless. I believe that today we must concentrate on another question: What is perestroika?

#### "Are You Ready for a Change?"

S. Cohen: In my view, both supporters and opponents of perestroika are numerous. You have now entered a period of multipolar policy in a one-party state. No such policy was visible prior to the period of glasnost. It existed somehow clandestinely. Now you have full glasnost in the domestic area. You have the diametrically opposed positions held by Molodaya Gvardiya and OGONEK, and between Nashiy Sovremennik and MOSKOVSKIYE NOVOSTI. As a professional Sovietologist, I can tell you that today we have no terms with which seriously to discuss perestroika, for we have become accustomed to say that the Soviet system is incapable of changing, and have stopped there. I may be representing a minority of American researchers who have always claimed that changes are possible but also that such changes could lead either to better or to worse. One must analyze the concept of change in detail and thoroughly. I believe that your press as a whole has still not learned even how to describe what perestroika is. Some of my Soviet friends write about perestroika as though under the influence of their mood: On Monday they are confident that perestroika will fail; on Tuesday they are already proclaiming that everything is okay....

It seems to me that there exist in the Soviet Union three different concepts of perestroika. First is the radical perestroika, as promoted by M.S. Gorbachev and his supporters. Second, a cosmetic and shallow perestroika which does not affect the foundations of the administrative system. Third, the so-called neo-Stalinist perestroika, the manifesto of which was the article by Nina Andreyeva. Therefore, there are different concepts of perestroika, and as long as we cannot agree as to which one we are specifically discussing, we cannot seriously speak of supporters and opponents.

The radical perestroika, supported by the people sitting behind this table, means, first of all, glasnost, reducing all kinds of prohibitions and censorship, and encouragement of public debate.... The second component, that which I describe as Gorbachev's perestroika, means decentralization of the management of state industry



and agriculture. The third is an even more thorough conversion to the market system. The fourth, finally, is the political reform which includes legal changes and a new system for elections in the party and the soviets. If all of this takes place your society will become free from Stalinism. Perestroika means de-Stalinization of all social institutions. Klyuchevskiy may have been the first to use the word "destatification." He said that Russian history is a process in which the state expands and the role of the people shrinks. Therefore, perestroika is a process in which, conversely, the state will shrink and the people will expand. A number of questions arise here. The main one is the following: Are you ready for such a radical destatification? What will become of the Soviet system if the reforms are carried out? Obviously, this system will be based on new reciprocal relations between the state and society. When I say the "state" I, naturally, include the party within that concept.

I believe that a new correlation is needed between the role of the state and society. Gradually moral, political, social and some other functions must be passed on from the state to the society. But let us not be childish. Such transformation in a huge country with conservative traditions and, if you will forgive me, I believe that Russia is one of the most conservative countries in the world, will take decades and a whole generation to complete it. Few among us will be able to see the end result. Some people in America say, look at the new course which Roosevelt charted in the 1930s! Essentially, this was an American perestroika. When did this course end? There are many who say that it has not ended yet. According to others, it came to an end when Lyndon Johnson, in 1965 I believe, enacted the new civil rights legislation. This means that this new course took 3 decades in America. In your country as well it will take decades. Opposition to it will grow as the process becomes successful. No, I do not intend to revive the Stalinist thesis of the aggravation of the class struggle with the development of the revolution or, in this case, perestroika. Generally speaking, one way or another, there will be opposition. There will be opposition not on the part of any specific leader, a director, Politburo member or editor in chief but, above all, on the part of the system itself.

**A. Gelman:** Personally, I am clearly aware of what perestroika is. It means instilling in our society universal democratic values which have long been familiar to the rest of the world. The future of the economy and the development of society as a whole will depend on whether these values will be established. Our perestroika began from the top but many people proved to be unprepared to face a number of events and phenomena which become inevitable: meetings, strikes, demonstrations.... It is this lack of readiness to accept a renovating way of life, with all of its inevitable costs, that is a very important psychological obstruction and, since psychology is related to politics, it is also a political obstacle to the more intensive development of perestroika. This is first.

Second: It seems to me that our perestroika should be considered in the context of the rest of the world. Today a universal uprising of the mind is beginning. The point is that in the past, prior to the advent of total danger, the mind kept in reserve the concept of eternity until its truth would be recognized. Galileo, for example, could say with a calm conscience that the earth does not turn, for he had no desire to be tortured; yet he knew that the time would come when everyone would acknowledge that which was a fact. He was confident that any way truth will triumph sooner or later and that mankind was not threatened by universal doom, whether this truth was acknowledged or not that day. Now, not only in connection with the danger of nuclear war, but also the sum total of dangers, reason has no time reserve. I see our perestroika in the context of a global situation. In the historical sense the forces of darkness most frequently united and constituted a collective array, while the forces of reason, for a variety of reasons, rarely displayed organization, monolithic unity and consistency. Now, for the first time in history, we are increasingly sensing that the forces of reason are trying to unify their efforts and seeking possibilities for such unification. In this connection, here is a suggestion: I think that it would be quite good if democratic forces, let us say in the United States and the Soviet Union, would jointly act against antidemocratic and antihumanistic forces both here and in your country. Recently I listened at length and closely on Pushkin Square to several speakers from the Pamyat Society. It was a mixture of ignorance, some kind of semireligion and God knows what else....

**V. Winston:** Were they dispersed?

**A. Gelman:** No, no one dispersed them. It is obvious, however, that such an outbreak of anti-Semitism as it occurred here should meet with a joint protest.

**D. Shipler:** I worked in Moscow for several years as a correspondent and spent many hours with Andrey Dmitriyevich Sakharov in his apartment, discussing political detainees and problems of human rights, and I find it amazing to be sitting here now at this table, attending this meeting. Had I been asked in the 1970s whether this would be possible, I would have said no! Inconceivable, impossible! This precisely is a lesson from which all of us should draw conclusions. We must master the new thinking. We must learn how to look at one another calmly and without prejudice. In the United States there still are many extreme-right ideologues who are unable to trust even the possibility of change in the Soviet Union. At best, many people shrugged their shoulders when it was proclaimed that the Soviet Union is the evil empire. Today fewer and fewer people pay attention to this concept. The view on the Soviet Union has changed and most Americans are no longer interested in books which, again and again, rehash the nightmare of the "violation of human rights in the USSR." We consider this to be a matter of the past. I am not alone in thinking thus, for this is shared by many publishers. It characterizes the general mood in the United States. I do not

believe that one should fear such moods. Aleksandr Gelman accurately pointed out the need to rally our democratic efforts, although democracy in the Soviet Union is different from that in the United States. However, we should not be distressed by the fact that living standards in the USSR are different from those in the States. Tolerance and understanding, understanding and tolerance are what bring nations together.

**I. Klyamkin:** Individual and group economic interests are only beginning to take shape in our country, if by this we mean economic production interests. It is consumer interests that predominate in our country. However, it is impossible on the basis of consumer interests to create a representative political system. That is why it is so difficult for us to raise the question of democratization. Until a more or less developed structure of economic interests has been created we shall not be able to solve the problem of democracy.

But let us go on. In the way that the party developed under Stalin it played a perfectly clear role in social life. It was the leading unit in the administrative-command system. The party held the monopoly in economic decision making, bearing neither legal nor economic responsibility for them. I believe that the serious contradiction which we are facing now and will be facing in the next few years will be that the party, which developed as the main element of the administrative-command system, is the one which proclaimed the course of its perestroika. This means that the party itself must engage in serious perestroika.

**Yu. Afanasyev:** Precisely! And when we start to look for opponents of perestroika exclusively among specific individuals, we only become confused, for it is not only people but also certain governmental rules that oppose perestroika. Many social, economic and political structures which were established and which, in the course of time, became quite steady could be against it. Perestroika could be opposed by dogmas, theories and myths which were not justified through practical experience but which we stubbornly continued to apply. It seems to me that as long as we have no clear idea of the nature and essence of the socioeconomic dynamics of our society we shall be unable to understand and provide sufficiently convincing answer to the question of who and what obstructs perestroika?

#### Unlimited Democracy?

**A. Sakharov:** It seems to me that democratization is the only real means of implementing perestroika.

It is the only solution, through referenda, of key controversial problems, which are as yet to be formulated, that could create a situation which would be safe for the further political development of our country. Yes, the renovation was initiated precisely as the result of the

historical initiatives of Mikhail Sergeyevich Gorbachev. However, it can be developed only on a popular basis. The other way would lead to an impasse.

Now as to the question of the head of the state who, in our country, is also the head of the party. This is a person with absolute power, even legislative. It is a good thing that today this person is M.S. Gorbachev. But who will come tomorrow? Let us be frank, we are not guaranteed against the fact that, under the pressure of circumstances, conservative forces or any other reasons, some things may change. In other words, as was the case in the past, everything is based on a single person. This is unusually dangerous! It is dangerous to perestroika as a whole and, personally, to M.S. Gorbachev.

We saw what a stressed situation exists in our country and what happened at the USSR Supreme Soviet when what I consider to be antidemocratic ukases were passed, concerning meetings, demonstrations and, particularly, the rights and obligations of the internal troops. We can already see the results. I know that it was on the basis of these ukases that the person who called for erecting a monument to the victims of Stalinist repressions was arrested. We know that on 30 October the people who went to the cemetery in Minsk were met with clubs and that most brutal beatings resulted. That is how things are developing. Currently perestroika is at a turning point, when one must make a choice.

**L. Batkin:** Naturally, one must always improvise in politics, particularly in a country such as ours, which is following an unknown path. However, there are things developed by world history and world practice. We are now sweating over what type of court would be most efficient and how to organize it better? We keep sweating over it and then we realize that we are dealing with something stupid. However hard we may try, nothing better than a court with a jury has ever been devised. And if today we are speaking of returning into the bosom of world civilization, we should take the experience of world civilization into consideration.

**G. Massel:** I am one of those who wish all possible success and good to Gorbachev. However, I also feel a certain contradiction in what is happening in the USSR. On the one hand, you keep talking about the new face of socialism and the fact that such socialism presumes democracy and glasnost. On the other, I hear a caution: Do not turn glasnost to the detriment of socialism. How to understand this? Is not glasnost by itself a social good? And could it be harmful? In the past few months I have been trying to explain the meaning of this both to myself and my colleagues.

#### Plan or Market?

**B. Bunich:** It seems to me that we have three alternatives. The first is a return to Stalinism. This is a terrible prospect but, unfortunately, we cannot totally exclude it. The second is to replace an absolute with an enlightened

monarchy. I would not say that this would be the best possible solution of the situation but there are many people who consider that this possibility has the best chance. The third alternative is total perestroika. If we stop at the first two choices which, let us admit it, are quite similar, we shall forever remain a system about which it was said at the dawn of the Soviet system that socialism means accounting. Yes, there will be an accounting but, unfortunately, there will be nothing to account. To postpone everything for the future and to hope that in 15 or 20 years we would accomplish something is impossible. As to immediate success, in general, this is a very difficult matter, for today to us time has a negative value.

In economics there are negative values when it becomes necessary, in the time that is left, to accomplish that which is impossible to accomplish. Unfortunately, we are implementing our 5-year plan poorly although we earmarked a modest growth rate. Is this modesty justified? I believe that it is not. It turns out that the most profound reform is the easiest. This is not a paradox! If you make no reform no one is affected. Here someone else mentioned slow perestroika. There is no slow perestroika, nor will there be! Therefore, it is better for it not to be slow but immediate and the deeper it is, the easier it will be.

What does deeper mean? Is there a standard which we could look at and duplicate? There is. To a certain extent, it is the cooperative. No one would be forced to join a cooperative. Everyone who can still walk would be running to join it.... Those who can no longer walk will remain in the state sector and would hate the cooperative. However, the crossing is quite long: According to my information, in 1 year it totals 700,000 people! I recently talked with a director of a light industry enterprise. He told me with indignation: "I manufacture T-shirts. The members of cooperatives buy them, print a short word on them and sell them at triple the price!" I asked him: "But why don't you write the same word or even add one more to it?" He thought and answered: "Why should I do it? I do not want to!" That is quite a noteworthy, profound and accurate answer. When the entire country says "I do not want!", it becomes a country of demand and not offer. We are a country of demand. Everyone says "I do not want!" The cooperative, however, says "I want!" The lessees say "I want!" Why not convert the entire state sector to this kind of life? For today the state sector is getting leaner steadily and, incidentally, it is this bear that is losing weight that is being plundered by the cooperative. It is plundering it by collecting its best cadres and providing its services at insane prices. The state sector is steadily surrendering its positions to the cooperative. If an economy has two types of rubles: the living and the dead, it is only the living that work.

It is being said that if the state sector is allowed independently to divide profits, it would gobble up everything, both accumulations and amortizations. Nonetheless, it is clear that if we would divide accumulations in

the state sector among people, like shares of stock, no one would object and it would make wages unimportant. For the time being, however, we cannot even mention this topic.

**E. Hewett:** As a foreigner who has observed perestroika in its development in the Soviet Union and as a person who sympathizes with its supporters, I am concerned with events not for the reasons which were expressed here today but rather because the conceptual foundation of what is taking place currently is either weak or totally absent. In any case, that is the way I see it.

The main objectives of perestroika (from the economic viewpoint) are upgrading the quality of output and labor productivity and mastering the tremendous industrial potential which exists in the Soviet Union. In that case the Soviet Union would become a true superpower. From the viewpoint of the economist, which is what I am, I can boldly claim that we simply must discuss the existence of a market system. There must be rivalry, unlike competition the way you understand it. The result would be the free price setting and free trade with the rest of the world. By this I mean not only trade in goods but production internationalization and the internationalization of finance. A country whose economy today is developing successfully becomes part of the global economy, whether it likes it or not. If you look at the British banking system you will see that most of its funds are international and that the British banking system deals with hard foreign currency, i.e., that there is a market for capital used by a great variety of countries. Questions related to the rights of the private owner or his property are the problem which should be considered. Is there in the Soviet Union, in academic circles, in the government or in the party any conceptual foundation for something that we would describe as a free market?

**N. Shmelev:** We are improvising and making errors, some of which are inadmissible. I will not go into the errors which have been made in the past 2 or 3 years. The worst, not in intent but in execution, was the anti-alcohol campaign which hit our budget hard against the background of a drop in petroleum prices. Not a single person with decision-making powers considered the practical consequences of these steps, the danger of which was obvious to professionals from the start. What can we see ahead of us? Naturally, we see different things but if we look at the logic of what is happening, our future lies in a mixed ownership system: state ownership (in the form of stock ownership, in which the collective is a shareholder in its enterprise, with the right to own stock in many other enterprises); cooperative ownership providing, naturally, that it is not suppressed; and small family businesses. Theoretically, I do not reject the possibility of private ownership employing hired labor. This would be a good catalyst and an incentive for our economy. However, I call upon you to be realistic. Theoretically something could be possible but in practice.... The very first such enterprise would be burned down by the crowd the moment it opens. I judge by the reaction to the cooperatives....



I also see mixed forms of ownership, to which things are advancing: state-cooperative or cooperative-state.... I also see foreign ownership. Now, as you know, we have already decided to allow 80 percent of foreign capital ownership in joint enterprises.

As to the economic management system.... Probably all three means of economic management known to history and science, such as direct planning, indicator planning and free market, have their advantages and disadvantages. There is no reason to abandon any one of them, for they each have their tasks. It is a question of the correlation among them. If everything which is now planned is implemented, I personally see for the end of the next decade roughly the following structure: 15 percent of our gross national product will be controlled through straight mandatory planning (the defense industry sector and closely related civil enterprises); the rest will be a combination of indicator planning and free market forces.

D. Shieler: When will this happen?

N. Shmelev: How can I possibly know when this will happen? It would be logical for it to happen toward the end of the 1990s. Bearing in mind that every year we must set 25 million prices (we produce 25 million different type of goods), the fact that several hundred will be controlled by the state presents no threat. The more so since today if we let go of the hand of the state the wave of inflation would cut us up immediately. Collective egotism is by no means better than individual egotism. The moment an enterprise is given total freedom, the first thing it does is to strangle the consumers with its prices. In our country enterprises enjoy total monopoly. As long as there is no competition we must hold on to the state when it comes to the main prices, for the enterprises would ruin all consumers.

Today we want to have an open economy. The entire question is one of the pace, methods and real possibilities for such an open economy. In order to open it we need, as a minimum, one preliminary condition: The foreign partner must have the possibility freely to spend his rubles in the Soviet Union and buy whatever he wants. Today, as you perfectly know, he cannot do that.

I was a guest at the party conference. All delegates attacked the efforts of the Gosplan and the ministries to strangle the Law on the Enterprise in the cradle. To strangle it with state orders. At that point, all obkom secretaries and all speakers were unanimous: This was inadmissible! For the next year the government will proceed from the fact that state orders must not exceed 40 to 45 percent. This means that we have a still weak and slow but free market. Starting with next year the situation may develop in such a way that 60 percent of the industrial output will reach the free market. The subsequent step is not random: accelerated progress toward wholesale trade. The pace of the progress toward wholesale trade has been doubled. In other words, in a

couple of years, 3 at the most, we shall have a market for free means of production and, finally, the foreign partner will be able to spend his rubles.

V. Wlason: However, no such free market is possible with the prices you currently charge. I do not know which problem comes first, but they are interrelated.

N. Shmelev: Perhaps from the viewpoint of the long-term development of the economic reform, this is the most terrible question for it is related to human interests. It has two aspects: the wholesale and the retail price reforms. In China this process will take 20 years. A retail price reform must not take place under the conditions of an unsaturated market, for this would have dangerous social consequences. We must begin by improving the situation on the market and only then gradually undertake this reform. We must not accept the objectives which are currently being quietly formulated by the State Committee for Prices and the Ministry of Finance. Whatever they may be saying, their objective is clear: to take some money from the population and to have a budget stopgap for 3 to 4 years and then see what happens. It is not this that should be the objective of the retail price reform! Today we have the following ratio: a kilogram of meat costs 2 rubles, a pair of shoes 50 rubles, a color television 700, and a car 9,000. This is an unrealistic price ratio. The ratio should be 5 rubles for meat, 25 rubles for a pair of shoes, 250 rubles for a color television set, and 4,000-4,500 for a car of the models we sell. This should be the first step in the reform. What we need is not tax plunder, which is possible today, but strictly a change in price ratios.

Probably it is as yet premature to speak of having our economy open.

#### The Face of Socialism

V. Wlason: The United States has many Sovietologists whose booklets no one reads. Pessimism concerning your perestroika is not very popular in our country. As to the optimists, they sympathize with your system although they have never been communists and it is very unlikely that they will ever become such. They understand quite well a given Russian type or character whenever.... How can I explain this? Let us take a truck driver. He has no gasoline, his tires are worn out but he kicks a wheel and says, "Let's go!" Such people may be encountered among Sovietologists as well. I could mention here a friend of mine with whom I worked for 40 years and who, unfortunately, passed away recently. He was able to predict and anticipate the development of events in your country. Had he been today among us, I believe that he would have simply smiled and told you, his Russian colleagues: "I have faith in you. Go on with your project!"

S. Cohen: Things are getting more interesting now, because of the variety of viewpoints which are appearing. I love differences of opinion and conflict and, in

general, it is pleasant to note when the Soviet colleagues disagree among themselves. That is why, in the spirit of glasnost, allow me to disagree with my American colleagues. Let me emphasize, above all, that I seem to be expressing the viewpoint of most Americans. We have no right to give you advice. We are only discussing jointly your problems and that is all. However, one thing I must point out: Political reforms could affect economic reforms as well. The decentralization of economic life could hinder the decentralization of political life, for the local leadership will be obstructing this process, fearing the loss of jobs. This is an important problem worth thinking about. At this point I would like to speak as a political scientist on the importance of the campaign for democratization in terms of the overall long-term prospects of perestroika as a whole.

You have a very powerful political leadership, headed by M.S. Gorbachev. It is suggesting a very radical reform. On the middle and rayon levels some managers occasionally support conservative traditions. As to what is referred to as the rank-and-file citizens, they have many supporters of radical perestroika, particularly among the rank-and-file party members who remained excluded from political life for decades. It seems to me that it would be very important for the leaders of perestroika to establish firm and solid ties with supporters of radical perestroika on the lower party and social levels. The only way to achieve this is to establish constitutional relations with these people, bypassing the bureaucratic barrier. The people must become involved in the election of local party secretaries and committees. I think that this is the greatest thing you could accomplish since 1923. In my view, it is necessary to strengthen the ties between the central leadership and the radical supporters of perestroika on the lower party echelons. Let glasnost become the reliable connection between Mikhail Gorbachev and Ivan Ivanov. However, glasnost is not a political institution, but merely one of the means for the democratization of society. That which you used to describe as socialism, it turned out, was to a large extent not socialism. On that subject you are engaged in interesting debates in the press. There are those who claim that this is true socialism; others object, saying that this is barracks socialism. And others again, perhaps even among some of the people present here, say that there is no socialism in the Soviet Union. This is a very interesting and topical discussion, directly related to the essence of perestroika. It seems to me that no one knows what are the limits, the boundaries of socialism. The fact that such discussions are taking place is a good thing. In America as well, instead of praising the merits of the American way of life, we should think: What is the American way of life? We too have our dogmas. Yuriy Afanasyev accurately said that a philosophical question is better than a pragmatic answer. When a question is raised in the country as to what is socialism, this is a healthy sign.

I repeat: We have gathered around this table representing no one other than ourselves. We represent only the intelligentsia assuming that in our country, in America,

there is an intelligentsia. Therefore, it would be naive of us to expect that decades of Cold War would disappear in 3 to 4 years of perestroika and glasnost. If that is what you believe, dear friends, you are gravely mistaken. Yes, both the simple Americans and the simple Soviet people want peace. However, alas, this unifying wish is insufficient. In their majority, simple Americans still do not trust you and, I am afraid, will not trust you for the duration of my lifetime. I am not speaking of primitive things such as the military-industrial complex; in our country, however, there are religious establishments, universities and colleges which are raising people in the spirit of the Cold War. A single event could bring about major changes such as, for example, a fruitful summit or, conversely, shooting down a civilian aircraft. One such event could immediately change relations. Is anyone in the United States saying that he is prepared to engage in talks from a position of weakness? No such personalities exist in the United States. The climate of American political life will not change for a long time to come, for which reason I caution you: Do not think that America is a bastion of perestroika supporters. This is a stupid idea and you will have to act alone. Perhaps we shall be able to get rid of a certain amount of weapons. I hope that it will be a larger amount. Perhaps we shall be able to achieve a moratorium on nuclear weapons tomorrow, or perhaps in 5 or 8 years we shall reduce substantially strategic armaments. Reagan said that it takes two to tango and most Americans prefer to dance the waltz, slowly, by themselves. The Cold War led them to develop their culture and ideology. I fear that this too has sunk roots in your country as well. This is something like a religion among your and our people.

**P. Reddway:** I do not entirely agree with my colleague Cohen, with his pessimistic view on Soviet-American relations. Look at how far we have advanced in the past 2 to 3 years. Here everything depends, in my view, on the further development of Soviet foreign policy. If it continues in the direction which has already been marked by practical steps, the mood of the Americans will change for the better quite quickly. I am very grateful for having been invited here. For 20 years I was "turned down," and I was not admitted here because from time to time I defended in the press people such as Academician Sakharov. I am very pleased, and I wish Gorbachev and perestroika great success.

I liked very much the speech by Mr Batkin. I would like to point out only that the power of the Soviet president, who is also general secretary, is, naturally, much greater than the power of the American president which, in fact, is quite limited.

Finally, on the subject of what Massel said. He sees some kind of contradiction in the attitude toward democracy. I do not understand quite clearly the view of the Soviet leadership as to what one should do when people disagree. One must come together and discuss the problem. Let those who criticize go on criticizing. I believe that the future of perestroika will be determined above all by the

extent to which Gorbachev will be able to strengthen the ties between the leadership and the lower strata. This is a very difficult task and in this case a great deal depends, as Shmelev said, on the mentality of the people.

**S. Shabad:** Let me say a few words on the attitude of the Americans toward perestroika. I believe that Steve Cohen laid it on rather thick. Today the American press is beginning to show understanding and sympathy for your affairs. I do not mean to say that we have all of a sudden become like-minded. The image of the enemy, which is being mentioned in the Soviet press, is still present in the mind of the public toward the Soviet Union. Unquestionably, this has influenced the man on the street, the ordinary citizen. There also are those described by Stephen as supporters of the Cold War and they will not change. However, the majority of people who make policy are well disposed toward Gorbachev and are concerned about the outcome of perestroika. What will this actually mean to the United States? According to some, if Gorbachev wins capitalism will triumph in the USSR and the Soviet Union will become as powerful an economic rival of the United States as Japan.

I once heard someone ask what would have happened had there been no Bolshevik revolution? Let us say that a democracy had been established and had strengthened. What kind of relations would there have been in that case between the USSR and the United States? I think that in that case the rivalry between Russia and the United States would not only have been simply possible but also inevitable as a result of their economic power.

**P. Reddway:** I would like to hear what the Soviet experts think of the problem of relations among nationalities in the USSR.

**Yu. Afanasyev:** The principles of perestroika in our country were formulated by Lenin, namely: the principle of a union among equal and sovereign republics, and not what happened in the Stalinist manner: the establishment of a centralized state with poorly expressed autonomy of Union republics. It seems to me that the solution of this problem is of global significance. I do not intend to simplify it, for it is just about the most difficult problem of perestroika. In order to find its optimal solution, we must involve in it the entire intellectual resource of the Russian federation, the Union republics and the autonomous republics. Under the conditions of glasnost and democratization that which accumulated surreptitiously, finding no outlet, shows up and becomes aggravated. For example, the problem of Estonia touches upon the broader problem of solving the problem of the national structure of the USSR as a whole. However, the Estonian challenge as well must be answered, for the Estonians have submitted a very extensive program of economic autonomy and national revival.

**A. Avelichev:** On the question of national relations. Today these centrifugal forces are largely assisted by the fact that the economic situation of the center and the periphery of our republics is extremely unsatisfactory. The struggle for raising the economic standard is frequently accompanied by rejecting anything which comes from the center, i.e., the inefficiency of one area or another is ascribed to the inefficiency of centralized planning and of the very idea of the Union, from which one should secede. For, it is claimed, if we secede everything would be different.

It seems to me that in this case we must try to interpret this situation, for in itself secession from the Union would contribute nothing good to any of the republics. It would be simply be a question of instead having a Union with insufficiently high living standards, there will be 15 republics which would be equally poor but live in accordance with their own laws.

**A. Sakharov:** I do not think that we should fear any separatist trends. What we should fear are the reasons which trigger such trends. They are economic as well as purely national. I believe that with a proper democratic development nothing will be lost. Let me reemphasize the exceptionally dangerous principle according to which, for pragmatic or any other political considerations, the state approaches national associations, big and small, using different yardsticks. That which occurred in Nagornyy Karabakh could, possibly, be manifested in many other areas. A general solution of the national problem is needed, based on the principle of a horizontal structure instead of a hierarchical one. The central leadership should display very great tolerance and very great tactfulness.

Now as to the way in which the West should behave toward perestroika. Should it fear that our country would become a new Japan in the economic sense or else, as a result of the success of perestroika, a powerful military state pursuing expansionistic objectives? I believe that, nonetheless, we should fear most not the success of perestroika but its failure, for in terms of a military expansion, whatever the outcome, there will always be enough soldiers, equipment and scientific research institutes. Should perestroika fail the country will become inordinately dangerous in terms of maintaining a world balance. It is too soon to fear that the USSR will become quite quickly economically competitive. This is far into the future.

**P. Reddway:** Sakharov and Afanasyev provided interesting yet, in my view, somewhat abstract answers concerning the national problem. Naturally, from the moral viewpoint I consider their views acceptable and sensible. However, if we speak of the political reality.... I do not see here any simple solutions but, perhaps, nonetheless it may be worth to suggest to your Estonian, Lithuanian and Latvian friends to make their demands more moderate. Otherwise, I fear, all of this would have truly sad consequences.



**S. Cohen:** I believe that today public debates in the USSR, in the mass information media, are much more interesting than in any other country. It is difficult to be a Sovietologist today and it is difficult to earn a living in that area.

Shipler and I tried to obtain from you a precise answer to the question of what is perestroika? We were not given a set answer, from which we can draw the conclusion that perestroika is a search. It is a living matter which is still in motion. It is as though the 19th century intelligentsia has been revived today, has gathered and is discussing the question of where is Russia going? Another eternal question of Russian reality is being discussed as well: What is to be done? Whatever may have happened, we did learn something over the past 3 years. Perhaps the most important thing is that of listening to and understanding each other.

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#### **Management Improvement Official on Distortions of Reform**

18200090 Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 9, Sep 88 (signed to press 10 Aug 88) pp 41-51

["Dialog" with P.M. Katsura, chief of the Department for Improving Management of the National Economy under the USSR Council of Ministers presented by EKO correspondent: L. Shcherbakova under the rubric "Directors' Club," titled "Where Are We Going? Dialog in the Club"; the first three and the final paragraphs are source comment; bold face and capitalization as in original text]

[Text] Petr Makarovich Katsura, doctor of economic sciences, has long been well known to the steady readers of EKO. He appeared on the journal's pages back when he was deputy general director of the AvtoVAZ for economics. Now P.M. Katsura is chief of the USSR Council of Ministers department for improving management of the national economy, which was created about three years ago. The tasks of this department are to prepare documents concerning the economic reform and to formulate basic approaches to it.

It was particularly interesting to the members of the directors' club to hear P.M. Katsura, to peer into their own future. He was interested himself in the feedback, in discovering the actual state of affairs at the enterprises, in the views of the directors regarding how economic restructuring is going. The discussion followed the format of a direct dialogue which precisely defined the positions of both sides. Therefore this was probably the most wide-ranging dialogue at the tenth session of the directors' club. We are presenting fragments of it. *LITERATURNAYA GAZETA* referred to this dialogue as a meeting of two opposing approaches to economic reform, the evolutionary

and the revolutionary. This viewpoint appears to be oversimplified. Indeed, the most important thing has not changed: Senior economic managers have no more freedom in decision-making than they had yesterday. The unshakability of the five-year plan, the promises of the former leadership, and other aspects prevail over them just the same.

And so, where are we headed—to a somewhat improved variation of present-day economic conditions or to a new economic system?

**P.M. Katsura:** All of us are unconditionally in favor of economic reform. But each of us pictures it in his own way.

The general ideology of reform, its components, are constantly changing but, unfortunately, these changes are not reaching as far as us, the directors of enterprises, as they should. The mass information media are also not well informed on many questions and, therefore, sensational, unregulated facts crop up and absolutely false conclusions result from these.

One of the examples of distortion of the ideas of economic reform is realization of the principal of democratization of production management. Two years ago, I was totally unable to understand how it was possible to elect the director of a large association. Today, I am not able to understand how, in Altay Kray, 99 percent of the chairmen of labor collectives are directors of factories. This is a mockery of democratization, but it exists. And I am not certain that in this hall as well there are not chairmen of labor collective councils.

It is absolutely clear to see that a majority of economic managers, including those present here in the club, hold the following philosophy: Give us everything all at once. And this under conditions when we are burdened with the old baggage about which much has been said and is being said. I wish that somebody among those present here, including representatives of science, who frequently make ill-considered statements, would stand up and tell us how to do this. It seems to me that it is necessary to proceed from realistic ideas. We are living in the present day, not yesterday, and also not tomorrow and therefore we must precisely and in a balanced way ensure that our actions are commensurate with our possibilities and, this is the main thing, with their consequences...

Today, however, the apparatus of the ministries and departments, not because it has set itself the goal of doing so but by force of its devotion to old methods and ideas, is acting in a way that runs counter to reform. There is sufficient confirmation that the directors of enterprises think and act more progressively than the staffs of the sectors, which should be head and shoulders out front, both in their actions and in their acceptance of the ideas of economic reform. The attempt to solve this

problem by means of bringing order to the organizational structures of management has budged something. To a certain degree, it has been successful in shaking the conviction of the apparatus of the ministries and departments and in showing them that the fate of reform is being decided not in the ministries but in the enterprises, and that the apparatus should contribute to solution of all the problems. The apparatus of the central departments and ministries has been cut by 25-50 percent. Evidently, it is necessary to go farther, but this will be possible only when the enterprises and associations are capable of working without the help of the ministries. Of course, there are a number of plants today (I once worked at one of them) which, even 10-15 years ago, could get along without a ministry and they do not need one now. But these are special cases. A majority of the enterprises still cannot get along without ministries. So long as stability and direct interaction have not been achieved at lower levels, these organs will remain. They will be transformed, their goals and tasks will change, but they will continue to be. When criticizing the ministries, it is necessary to proceed from a realistic understanding of their role today, tomorrow, and to the end of the five-year plan.

We should determine precisely whether the postulates which were declared when embarking on the reform are correct. Do they need to be corrected in some way? What is the practice of work really like? Indeed, the concrete conditions are being formulated by concrete people, among them those who hold power in local areas. Today, this power is hypertrophied in disproportion to their responsibility. In posing these questions, it is necessary to understand, particularly for economic scientists, what is most important—the directions of reform. If we confine our discussion to specific norms or prices, then we will not come to an agreement on anything of interest.

#### Many Questions Were Addressed to P.M. Katsura:

[Question] Recently there has been frequent talk about reducing the management apparatus. In my view, the effectiveness of this work is problematical. It is necessary to cut back functions and not people, as certain Soviet publicists have correctly written. But, until now, they are reducing only people; the number of functions, in general, is hanging in mid-air, and the ministries are not carrying them out. Do you think the Law on the State Enterprise can be observed, given the apparatus of the ministries?

[Katsura] Yes, I do think so. In 1985, following the decree on conversion of the AvtoVAZ to self-financing, I didn't show up at the ministry for five months, although I used to be there before this about three times every month. They started to say that the people at VAZ had taken on airs, that they were acting like apanage princes, etc. All this was very widespread, but at the same time the ministry apparatus was acknowledging that an association can, in general, live without the ministry. We talked about this here, in the club, and it was my understanding that this is practicable for many of those

present here. We are slowly creating the necessary atmosphere, the environment for consolidating direct ties between the producer and the consumer.

It is necessary to remember that the work that is being carried out now to set to rights the organizational structure of the ministries is of an interim nature, not final. It is very dangerous to break old ties, when direct ones still have not been established between consumers and producers. Management quality may be lost. But, in what is already being done, I can distinguish the following basic positive features:

—A departure from the central directorate [glavk] structure, since the central directorates had purely distributive functions, and attempts to solve problems there, as a rule, did not lead to success.

—The cells [kletki] within the ministries have been broken up. Their structures formerly were characterized by very deep divisions between cabinets. Their directors had almost no contact with one another. Such high barriers existed between these cabinets that it was necessary, when resolving particular questions, to visit each cell. We have stirred up these cells and created 6 complexes (technical, economic, capital construction, etc.). But, unfortunately, our plans are not being implemented everywhere the way we had intended.

Meetings with the directors of ministries and departments show how deeply the idea is ingrained in their consciousness that one does not cut off the limb that he is sitting on. To give up the apparatus is a painful process; the face that the firm has traditionally worn is lost. We still have not succeeded in solving these problems. The average reduction has been 35 percent; in Gosplan, one thousand out of three thousand have been cut. But in reality we have not done away with functions. In this sense, you yourselves must defend the law from violations in each specific case. I look with epimism on these things and believe there are no grounds to fear that it will be usurped by sectoral organs.

[Question] Is a basic restructuring planned in the work of arbitration, a fundamental lever for bringing influence to bear on partners? It continues to work poorly, not in the spirit of restructuring, and it has failed to accomplish its own tasks in light of the Law on the Production Enterprise...

[Katsura] Recently, a decree was issued which regulated the rights and actions of state arbitration. Of course, the problem has not been eliminated entirely by this document; this is not possible today. State arbitration must occupy one of the central places within the system of economic reform, but as yet it is itself not prepared to do this. The organs of state arbitration on the local level are represented by specialists who are fixed in the old ways. And what they are engaged in today does not give them the possibility of solving serious problems. We will consider

that this is an intermediate stage in the activities of state arbitration. The final forms of its work have not been found, especially on the vertical plane where it is necessary to define the rights of the ministry, for example, on one hand, and of the labor collective, on the other.

[Question] The world level of manufactured goods has become one of the strongest administrative methods for exerting influence on the enterprises. A large number of items that are urgently needed by the national economy have been withdrawn from production. What is your attitude toward this?

[Katsura] Concerning the world level and the facile use made of this terminology... It is necessary to put this problem into balance. On one hand, the quality of our products, their level, has been so compromised, even on the domestic market, that any kind of routine actions here will not help. Therefore, a draft law on quality has been developed, which will be introduced for nationwide discussion and examined by a session of the USSR Supreme Soviet.

What should be considered the world level and when is it necessary to demand it? There is no single answer to these questions. Many examples can be produced when demands for the quality of a product have constantly grown and, in the final account, we have ended up in a dead-end. But the efforts of our economic mechanism to achieve scientific and technical progress are on too small a scale. Therefore, today, of the three levels of state production oversight (the enterprise, the sector, and USSR Gosstandart), we have succeeded in eliminating only the middle one. Its functions have been mainly transferred to the enterprise. We have succeeded in overcoming the tendency for dictation by Gosstandart, when it was the only one that was acting in the name of the state in prescribing what is good, and what is bad. The approach to this work, as well, has been democratized. The first quality category is being phased out, along with the work associated with it. Direct ties are developing between the customer and the supplier and, at the same time, without exception, the state is maintaining control over the parameters that influence the quality of a whole series of products.

We still have not introduced wide-scale certification of enterprises. It is necessary for them to develop a name for themselves, for the firm's emblem to take the place of all our triangles and pentagonals. I recall my own experience working at the VAZ. It paid to declare that we were going to publish data on the poor quality of equipment being delivered because, on the spot, without any payment on our part, a repairman would come and correct any shortcomings on site. This is what the firm's honor and quality mean. And, as regards determination of the world level—I agree with you that there are extremes in this matter.

[Question] Nevertheless, the transition period, which we are going through, when the ministries are being preserved, is a definite restraint on the enterprises; it takes away their desire to take authority into their own hands. The central organs, in our observation, are doing everything possible in order to show that the enterprise will not be able to operate independently. What is your opinion?

[Katsura] I will risk ending up in the minority, but each of us has a right to his own point of view. I do not intend to retreat from mine. In our hands, we have a just cause. And all the complaints about bad ministries and supply do not produce any kind of result. Work is necessary. Choose your example from among the best ones; there are plenty of them in this hall.

[Question] Your attitude toward economic science. How are the organs for management of the national economy interacting with science? Negative notes could be heard in your address...

[Katsura] A scientific section of the commission for improvement of the economic mechanism and planning is at work under the USSR Council of Ministers. All practical problems first pass through this section, where several scientific collectives are working. It is another matter that there are a number of scientists who say: If things will not be the way we think, then they will be wrong. Such intransigence is fully understandable and I myself am ready to defend their positions to the end, all the more so if they are supported by scientific analysis. But, therefore, attempts to draw economic scientists into the solution of practical problems, with all respect to them, are still not having much success, although there are good examples. A.G. Aganbegyan is doing a lot of work with us and he is attracting other scientists.

We all know that, for a long time, our economic science has been lagging behind. Even now, it has not assumed a position of leadership. But if people present have sensed a negative attitude toward science on my part, this is wrong.

[Question] For two years we have been talking and writing about restructuring the work of the ministries, about cutting them back. But what is actually happening is a shifting of cadres back and forth. And is it possible that the Council of Ministers simply does not have a grasp of the situation and does not know the real state of affairs in the economy?

[Katsura] Is the government directing the economic reform? From a formal viewpoint, there is no question of this. Here in our country any document regarding the reform is issued only as a government document. Now, as to the essence of the matter. The government reaches its decisions on the basis of documents submitted by central economic departments, first of all by USSR Gosplan. There are two important structural units in operation: the economic council, in whose work the



directors of all central economic departments participate, where any problem can be judged from all sides, and the scientific section, which today is acquiring informal significance in connection with the advent of a new leader. All documents pass through this section before they go to the government. There is no basis for thinking that the wrong documents are reaching the government and, therefore, as expected, such ones are also not coming out of there. It is another matter that not all of us agree with the individual positions they contain. I can confirm for you without any ambiguity the fact that the basic processes which are occurring in the economy are being totally controlled by the government.

**THE QUESTIONS AND ANSWERS WHICH WERE HEARD IN THE CLUB SHOW THAT ECONOMIC REFORM IS NOT GOING SMOOTHLY, DESPITE THE FACT THAT, FOR THE FIRST TIME, IT HAS BEEN FOUNDED UPON SUCH AN IMPORTANT STATE DOCUMENT AS THE LAW OF THE USSR.**

**P.M. Katsura:** Such provision for the reform on the part of the state (I have in mind the Law on the State Enterprise) and such support of the reform from the very highest tribunes by the country's political and economic leaders, give a right for the law to be supported more decisively, firmly and insistently at lower levels as well. But it is necessary to say that today the law is not being treated in the right way, not only in the ministries but also by you, the directors of enterprises. The law is on your side, keep this in mind! But revolutionary transformations do not happen without inconveniences, to put it mildly, and in some cases, even sufferings. This is unavoidable. Your position with respect to observance of the law should be uncompromising to the maximum extent.

Of course, different situations occur. I will give an example. The law gives enterprises the right to independently distribute above-plan production. But there is one small proviso: with the exception of special-designation output. What was in mind was really special production, strategic, for example. But up until now we have not been able to come to agreement concerning such a proviso. Or a point such as this: a communist "subbotnik" has taken place. Who has the right to distribute the output that has been produced? Gosnab maintains that the working of the law does not apply to it, since it has been turned out as a result of patriotic initiative, and wants to distribute it itself. So, such is the level on which it is necessary to defend the interests of the law.

As regards the state order [goszakaz], then all of us need to understand that this there are two sides to this approach and this solution. The practice of 1988 has shown that, in the beginning, everybody experienced a sense of freedom and welcomed it. But, then, people saw that there are no resources, and solution of this problem is not foreseen for the present; therefore a tendency

appeared toward an increase in the state order. After this, voices began to be heard that it had exceeded productive capacities or had fulfilled its entire program. Let's choose a position.

We want there to be economic freedom, but also for their to be a flow of resources. Where will we get them from? We entered into reform with what we have, no uncle is going to help us with anything. Naturally, to the degree to which the state order will be reduced, the importance of direct ties between enterprises will grow. Incidentally, following criticism, to a certain degree justified, of the Ministry of Ferrous Metallurgy, which had forced onto others its own conditions for deliveries, it invited the directors of the enterprises to Moscow and over the course of two days they found an equitable solution for 1989, having eliminated the disbalances in the plan. But why was it necessary to bring everybody together in Moscow and sit them down behind one table?

As a first step, the government and Gosplan decided to set state orders for up to 40 percent of the production program and, in certain cases, to 60 percent until the end of the five-year plan. A temporary statute has been issued regarding the state order. It will be in effect for two years. Temporary—so that there is a possibility of adapting ourselves to it, of seeing what is good in it and what is bad, of putting it in final form and of going into the 13th Five-Year Plan with a certainty that it is correct in its fundamental postulates.

Today for the first time, intra-sectoral cooperation is excluded from the state order; now, cooperation of intra-economic complexes is the order of the day. From personal practice, I can say that many ministries are perplexed: how to lead? Let us take metallurgy, for example: chemical coke plants have not received a plan, because there is no state order. They are working on the basis of intra-sectoral cooperation. It seems to me that this is truly a revolutionary approach.

Now, about normative deductions. In this five-year plan, comrades, we will suffer. What should be the correlation between the contribution to the state budget and the assets of enterprises? 30:70, 40:60, or 50:50? Or maybe another one? At the present time, this process is gradually moving in favor of the enterprises as the sectors are being converted to full economic accountability [khoz-raschet] and self-financing. If we talk about total capital investments, these have remained at 40-44 percent. This is not the optimum. But, for the present, the norms will remain as they are. We should not entertain ourselves with the hope that the share will change with the next five-year plan. It will be good if unified norms appear even in 10 years. But we have a right to lay the foundation of unified requirements for them, taking account of the real situation which has developed at the enterprises. Of course, norms are the nails of the reform. If we find

the right principle for their utilization, then we will also find real instruments influencing the effectiveness of the reform. A complicated process, but we will continue to work with it.

[Question] An enterprise pays fines for nondelivery of products out of its profits. And they take 3 percent from the material production fund [FMP] for each percentage point of nondelivery. In the final analysis, this is also profit. Thus, for one offence there are two punishments. Is this logical?

[Katsura] We have, in fact, been carried away with sanctions. If you add all the sanctions together, then the FMP will not suffice to settle accounts for them. Therefore, a decision has been reached to establish maximum deductions from the FMP for sanctions at 40 percent of the fund. As regards the double fine, when changing over to economic methods of management this is the way it will be; there aren't any other methods left. It seems to you that this is a lot, but to me that it is small. If you have signed a document on deliveries, be so kind as to pay up; if you haven't signed, you have smaller funds in terms of volume.

[Question] In the transition period, enterprises that are working well are literally being forced into a corner. The ministries redistribute a whole series of funds (for social development, for the development of production) to the benefit of those which are working poorly. Norms are being established according to what the ministry wants. The only exception is the Ministry of Chemical Machine Building, where the scale of norms that is in effect depends upon the profitability of the products that are being put out. How can strong enterprises be protected from arbitrariness?

[Katsura] Of course, there is a lack of order here. We recall the times when the best kolkhoz gave money to the worst one. This did not lead to anything good. We are doing the same thing now in industry via the centralized funds of the ministries. But we also cannot close our eyes to the fact that, over the course of a whole series of years, we consciously went ahead with the creation of unprofitable and little-profitable enterprises which are incapable of developing on their own. There are also a number of general sectoral problems. Therefore, at some stage, there is a need for the funds of the ministries. It is also true that they are not always created in a correct way. We will have to suffer this levelling for some time. In a number of sectors, for example, in construction, where large production associations have been created on the scale of the oblast and the region, such deductions are being kept on a low level.

[Question] For enterprises which are specialized in the production of consumer goods, mutual relationships with the organizations of the Ministry of Trade are essential. The enterprise is responsible for the production of finished products, and the retail link for their sale. And between them stands the wholesale link, which is not

responsible for anything but to which important functions have been assigned. It lives under the conditions of economic accountability at the expense of a trade deduction. It can punish an enterprise by imposing fines and it exerts pressure on the retail network. Is this situation a normal one?

[Katsura] If we are going to be consistent, then it is necessary to acknowledge that, in general, we are handling the sale of consumer goods incorrectly. We add on a turnover tax when products have not yet been sold, one not paid by the purchaser. The Ministry of Finance then directs this fictitious income toward goals of some sort. Your question should be put differently: But are you yourselves capable of selling your own goods? It turns out that you are not, that the firm system of trade for the present finds itself in an embryonic situation. Therefore, the role and place of the wholesale system today is explained by an unstable situation, by the transition period. In fact, during 1987 it did "encourage" industry by means of sanctions, having taken away 1,200,000,000 rubles. This is one-fourth of the funds on which trade is living while shifting over to the new economic mechanism. Of course, this situation is incorrect, but this is above all because industry failed to deliver approximately 10 billion rubles in goods to the wholesale link. In a normal situation, when everyone is doing his own work as is expected, the total of fines would come to 200-250 million rubles, precisely the amount that trade should receive for its risk. Today it is premature to examine the question of changing what belongs to the wholesale link.

[Question] Among the questions to which little publicity has been given is the level of monopolization in our industry. What kinds of measures are envisaged with regard to its solution? This is one of the problems in which wholesale trade and price formation are running up against a stone wall... Also not evident at the present are measures for overcoming the deficit character of our economy, for bringing it into balance.

[Katsura] It should be recalled that questions of national economic balance, of shortages, and of monopolization to a large degree are related to the fact that we have tried to develop by means of a germination of industrial sectors and, within each sector, by means of defining precise problems, the solution of which, as a rule, has been raised to the level of the Party Central Committee and the government. Since the beginning of the 1930's, the number of ministries and departments has gradually grown, thinking at the time, and not without foundation, that we would solve certain important questions by means of creating ministries of various types. Together with this, a process of artificial division of the unified national economic reproductive cycle was going on. And we are experiencing the consequences of this today when we are running into difficulties in the establishment of direct ties.

In setting about drawing up the 13th Five-Year Plan, USSR Gosplan has encountered the following difficulty: Resources are not available for increased production

inasmuch as the established priorities, the special decrees and decisions are being preserved. It is becoming increasingly obvious that we cannot make use of this, that in this way we have driven ourselves into a corner, that planning in essence is acquiring a secondary significance since, in fact, the plan each time is being put together from earlier made decisions. It is necessary to stop, to take a look around, and to begin everything over from the start. With all respect for the decisions made earlier, it is necessary to realistically assess the situation from the viewpoint of structure and proportions and then draw up a five-year plan and the means for its fulfillment.

Associations and scientific-production associations are being established and a not very successful attempt has been made to create state production associations. This process was dictated by the logic of self-financing and economic accountability. According to statistics, 50,000 enterprises were self-dependent in the recent past, but the majority of them were not capable of carrying out social development and of solving important scientific and technical problems. Is this concentration connected with an intensification of monopoly tendencies? I think that it cannot be considered such. Monopolization is not the root of this. We are well acquainted with the experience of foreign firms, which are well-known throughout the entire world, but this does not at all mean that they are monopolists. The problem of monopolization is connected first of all with balance. In the final analysis, we are fulfilling our annual plans; but then, where are the shortages coming from? What is the source the divergence between interests and resources? The imbalance, to a large extent, is being artificially created by us ourselves, for example, with regard to metal. But in light industry, particularly with regard to raw materials, it really exists. The question of converting the territorial organs of Gosnab to full cost-accounting and self-financing was examined recently in the Council of Ministers. Several directors from Moscow were brought in for discussion of the problem. Their position was a very strong one. They spoke about the complex of services which these organs must fulfill, about their own possibilities of paying for these services, about the creation of special banks which would manage affairs in large regions. Here lie the possibilities for achieving balance.

In our plans, we are assuming resources, capacities for the production of which will not be introduced (and we know this), but the order for delivery of products is signed for the entire series. And when the deadline for realization of the plans arrives, everything falls apart. In the package of decrees based on the June (1987) CPSU Central Committee Plenum, in particular in the decree on Gosplan, there is a special section dealing with balance, a phrase concerning the fact that there is a need to prohibit Gosplan from submitting unbalanced plans to the government. Nonetheless, they go through. Therefore, it is necessary to turn our attention to analysis of the expedience of our relationships within the limits of those resources which we do possess, to include all

factors which have an influence on balance. I do not see any reasons why, in four years, we will not achieve that which was stated the materials of the June (1987) CPSU Central Committee Plenum. Of course, the transition period is difficult, but we have got to go through it. I wish you success on this path.

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This sounds rather optimistic. But this optimism was not seen in the faces of the enterprise directors. It is probable that the days of the past, the veil covering which P.M. Katsura lifted a little bit, have not inspired hope within them: Tomorrow will not be better and easier. It will, perhaps, be more interesting, but more difficult. The editors of EKO turn to their readers with the proposal to broaden the framework of the club and continue this dialogue on the pages of this journal. We await your letters!

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#### Use of Second Khozraschet Model, Start of Price Reform Urged

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[Article by Doctor of Economic Sciences D.M. Kazakevich, deputy director of the USSR Academy of Sciences Siberian Department Institute of Economics and the Organization of Industrial Production, Novosibirsk: "Authentic Economic Accountability: Unresolved Problems"]

[Text] The State Enterprise Act permits the use of one of two forms of economic accountability [khozyaystvennyy raschet]. Given the first, financially autonomous income takes shape from a wage fund formed per an output quota and profit remaining to the enterprise following settlements with the budget and the higher authority and the payment of credit interest. The following funds are formed per norms from residual profit: production, science and technology development (FRPNT), social development (FSR) and material incentive.

The second form of economic accountability is based on the normative distribution of the enterprise's gross income and formation of the remuneration fund as the resultative-residual value. Part of the gross income remaining following settlements with the budget and the higher authority and the payment of credit interest forms the financially autonomous income, which is separated into the FRPNT and FSR formed per the norms and a common remuneration fund. The latter is formed as residual gross income in the course of its distribution.



What are the shortcomings of the first form? Inasmuch as the practice is for the wage fund to be formed per a commodity output volume quota or another gross indicator (except for enterprises of the USSR Ministry of Petroleum Refining and Petrochemical Industry), there is, as before, an interest in the gross figure and, together with it, lack of interest in a reduction in the expenditure of live (wages) and embodied labor (raw material, intermediate products, depreciation). This is not in keeping with the demands of an anti-expenditure economic mechanism.

As before, direct financially autonomous regulation extends not to the entire wages of the workmen but only to the negligible part of them coming from the material incentive fund.

As before, individual remuneration interests the workmen insufficiently in the efficient end results of the activity of the whole enterprise since it is inadequately connected therewith. Remuneration does not fully correspond to the progressive principles of the vertical financially autonomous collective contract, and the economic accountability of the teams and shops is not linked with that of the whole enterprise.

As before, the enterprise has few opportunities for an increase thanks to more efficient work of the production and social development funds over and above the corresponding normative profit taxes since, in accordance with the established rates, the entire profit which is obtained is distributed among the budget, the ministry and the enterprise.

The second form of economic accountability is free of these shortcomings. Remuneration depends directly on the end result of the activity of the workforce—monetary proceeds from sale of the product less outlays on payment for means of production consumed. This is the net product in monetary terms or gross income of the enterprise. Thus given formation of the remuneration fund per the residual principle, wages are not simply a component of production costs but part of the gross income as a result of the labor of the workforce. A strong incentive to maximize gross income is created. And, consequently, there is increased interest, first, in an acceleration of growth of the production of products commanding a ready market inasmuch as there is a growth with the expansion of sold output in net and an increase in gross income; second, in an increase in production thanks to increased productivity and a reduction in the numbers of workmen determined by the enterprise itself; third, in a reduction in material production costs, which increases the net product, gross income and the part thereof remaining for remuneration. In practice the whole remuneration fund is encompassed by cost accounting regulation; the basic wage and other forms of compensation become earned and are closely linked with the end results of the work of the team, shop and enterprise.

Normative distribution of the gross income given the second form of economic accountability makes it possible to really extend it to expanded reproduction and to ensure the independence of the enterprises when long-term questions of their development are being decided. This form will cause enterprises to concern themselves to a greater extent with the growth of savings for the development of production on the basis of S&T progress and at the same time will afford opportunities for an increase in the FRPNT inasmuch as, besides the normative taxes, part of the actual residue of the financially autonomous income may be used for this purpose. And this, in turn, is an incentive to an increase in the efficiency of current production: the higher the financially autonomous income, the more the opportunities for: an increase in the workmen's personal income, for the better satisfaction of the workforce's social requirements and for the development of the enterprise's material-technical resources.

Thus the second form of economic accountability has decisive advantages over the first. It is more capable of realizing the financially autonomous principles of the self-financing of the enterprise, of its development included, and the material interest of the industrial outfits in the end results of their activity assessed from the standpoints of national economic efficiency. The second form is authentic enterprise economic accountability, the first, merely an initial step in its direction.

Only certain elements of the first form are being employed in practice, the second, even in partial form, is as yet being employed episodically. In addition, the regulations governing the second form<sup>1</sup> do not create the conditions for its efficient realization. Let us dwell on these conditions.

The principal essential feature of authentic economic accountability is the self-financing of the enterprises, of their development included. If proceeds from the sale of output cover only part of costs, and the remainder is covered from the budget or ministry funds, not only is there no financially autonomous self-financing but remuneration cannot be made dependent on the outfit's work results.

Self-financing may be full and partial, real and imaginary even if an enterprise makes both ends meet. After all, society is interested in self-financing from the standpoints of the national economy, when the end result of an enterprise's activity in the shape of socially useful products and services is commensurate with total outlays on the achievement of this result, that is, both the result and the outlays are determined given a national economic approach.

Current prices oriented basically toward current average-sectoral costs are no good for this. New ones which ensue from the demands of the anti-expenditure economic mechanism are needed. The prices of key producer goods determined centrally should be oriented

toward the socially necessary expenditure on their production anticipated in the coming period and take account of the priorities of the 5-year plan and structural-investment and technical policy. All prices should reflect the social utility of the products and their efficiency (producer goods) and consumer properties (consumer goods). Prices which serve as an important regulator of the balance of the production of and demand for producer goods and consumer goods are needed.

The main difficulty and contradiction of the economic reform which is being implemented is, in our view, the fact that price reform was not carried out prior to the transfer of enterprises to economic accountability. Whence the timid steps toward enterprise economic accountability and independence. They conceal the not-unfounded fear that, given the present economically unsubstantiated prices, enterprises' independent decisions could prove ineffective for the national economy.

Price reform has been too protracted. And this is playing into the hands of the enemies of the restructuring of economic management. It would have been better rather conducting a reform if only of production prices, subsequently perfecting the prices of individual products, than postponing the reform as a whole to the end of the 5-year plan, prolonging the life of management methods which have wholly discredited themselves.

Other conditions also are lacking for authentic economic accountability in its second form and for the enterprises' full self-financing. A change in prices is one aspect of the more reliable ascertainment of national economic results and the efficiency of enterprises' work. The second is determination of total costs. Of course, correct prices of producer goods will partly solve the problem of the fuller and more substantiated measurement of costs. But at the same time it is essential to incorporate in enterprise costs total expenditure on the application of live labor, aside from wages, and the tax thereon in full measure for the social consumption funds and the fee for manpower resources; determine the actual payment for state capital investments (capital charge) and credit resources at the level of the standard efficiency of the use of monetary resources in the national economy in a given period determined by the USSR Gosplan; impose a rental charge for natural resources; incorporate in enterprise costs a charge for the use of the results of other organizations' R&D.

An indispensable condition of authentic economic accountability is the introduction of standard economic rates of the charge for resources and the distribution of profit between central and local budgets and the enterprises. They should be drawn up by the central economic authorities (the Gosplan in conjunction with the Ministry of Finance), if not for the national economy as a whole, for groups of sectors at least. In accordance with the model regulations governing the second form of economic accountability introduced in 1988, individual,

differentiated rates which are being drawn up and conveyed by the ministries to the enterprises were legalized. The ministries retain financial obligations to the budget. Proceeding from them, they send down to the enterprises an allotment, albeit in the form of differentiated rates. As practice shows, from 3 to 90 percent of enterprise profit is deducted into the budget. Consequently, the fallacious idea of ministry and higher authority economic accountability, which is undermining economic accountability in the main, producing economic component, is still alive.

The old fear of entrusting to the enterprises budget obligations per standard rates is reflected here. It is better to let the ministries be responsible, there are fewer of them, fiscal management is easier. Undermining enterprise economic accountability and interest by individual rates, we are running the risk of slowing down the growth of the overall amount of profit in the national economy, but, on the other hand, guaranteeing its planned budget receipt. "Better less, but guaranteed"—such, apparently, is the logic of the arguments of those who are responsible for the budget and who ensure its fulfillment by administrative methods.

In keeping with the same logic, the ministries are endeavoring to erect between them and the enterprises the state production associations in place of the eliminated all-union industrial associations. The motive is a similar one—uncontrollability and an endeavor to convey the allotment to the least number of units. The old command-administrative methods of management. If the state commission in its present form has undermined enterprises' financially autonomous independence envisaged by the act, individual rates have torpedoed economic methods of managing them.

The higher authority also determines for each enterprise individual rates for profits taxes for the production and social development funds and also the rates of the state capital investment charges: "as a rule, 2, 4, 6 or 8 percent of the average annual value of fixed production capital and normed working capital," the model regulations governing the second form of economic accountability say. "As a rule," consequently, any percentage could be established, despite the fact that the act provides for a uniform capital charge rate for all enterprises.

The standard rates determined by the central economic authorities will be long-term. But it is unrealistic to demand their absolute invariability in the course of the 5-year plan, although stability is highly desirable and should be the general rule. The changing economic situation in the interests of S&T progress and the intensification of production could in individual cases require a partial change in the rates determined for the 5-year plan. And the new economic mechanism should not rule out the possibility of the fine-tuning of individual economic rates in the course of the 5-year plan. But rates determined by year of the 5-year plan and, furthermore, individual rates conveyed to the enterprises are one

thing, a change in individual general economic, intersectoral or sectoral rates determined for the 5-year plan is something else. The first case differs little from administrative methods of management, the second signifies the adjustment of economic regulators given predominantly economic methods of economic management.

Authentic economic accountability is being emphatically undermined by a principal postulate of the model regulations governing the second form—the ministry retains the right to redistribute enterprise depreciation funds and profits. This also ensues from the general idea of the ministry as a higher economic subject.

Conveying to enterprises rates for deductions into ministry funds from profit (from several percentage points to the bulk thereof) and part of the depreciation funds and the redistribution of the profit and depreciation funds for subsidies to lagging enterprises inevitably strikes at the progressive outfits and orients them toward average, and not high, results of their activity. Economic accountability is deformed, and the conditions for its second, higher form are not created.

There is positive international experience of the socialist countries pertaining to the establishment of economic regulator rates, including those for the distribution of profit between the budget and the enterprises and central economic authorities, and not the ministries, as standard, and not individual. The experience of Hungary, Bulgaria, China and other countries persuades us that the sooner we also switch to standard economic regulators and deprive the departments of the right to redistribute resources and profit among enterprises, the more rapidly the conditions for real economic accountability will be created.

Let us adduce the most frequently encountered arguments of the supporters of slow changes in the economic mechanism.

The principal one is that transition to authentic economic accountability in the course of fulfillment of the established 5-year plan would create a danger to its fulfillment. This line of reasoning is generally accepted, but it is not indisputable. The main indicators of the 5-year plan—rate of growth of national income, productivity, real income and others—are hardly threatened by the enterprises' financially autonomous initiative. True, the targets of the 5-year plan for specific types of product might prove unfulfilled. But it would perhaps be useful even to afford the new economic mechanism an opportunity to adjust them somewhat. After all, there are calculations to the effect that approximately one-fourth of the manufactured industrial product and actual freight shipments is essentially not needed by the economy, albeit stipulated by the plan.

The following frequently encountered argument is not irreproachable either: the severely different starting conditions and the juxtaposition of technically developed

and obsolete and highly profitable and loss-making enterprises. Whence individual economic rates and ministries' redistribution of profit and depreciation capital between enterprises are allegedly inevitable.

But there is a different method, verified by the experience of the socialist countries, of responding to enterprises' differing starting conditions at the time of introduction of standard rates and financial autonomy conditions equal for all. These are budget subsidies for unprofitable enterprises which are determined for a specific period and which diminish from year to year, long-term credit on favorable terms and other state preferences. They are preferable to subsidies by way of ministries' arbitrary redistribution of resources and profit between enterprises since they do not undermine incentives for the progressive enterprises and do not hold back transition to authentic economic accountability. The lagging enterprises, on the other hand, in which the country has an interest and which have a visible prospect of upturn, are given time and an opportunity to become enterprises which function normally.

The next argument with which issue is taken is the lack of preparedness of the management personnel. We underestimate the economic competence and readiness for work under the conditions of the new, financially autonomous economic mechanism of enterprise executives. They are higher than in the ministry machinery. Industrial executives, judging by many speeches, cannot wait for the enterprises to be accorded real financially autonomous rights and a limitation of departments' interference in their activity, contrary to the aims of the reform.

In our opinion, although in the sphere of distribution the most fortified bastions of the opponents of perestroika preserve the rights of management, they may be rapidly done away with by the urgent reallocation legislatively of these rights in favor of the enterprises. And the lacunae in executives' training, if they exist, could be filled in, and practical experience would contribute to this.

A really telling argument is the delay involving the introduction of fundamentally new prices, which we have mentioned. Price reform may no longer be postponed for this reason.

Prior to completion of the price reform and the creation of all the other conditions of the efficient use of the second form of economic accountability, it is necessary today even to make more extensive and consistent use of components thereof than envisaged by the model regulations—the residual principle of the formation of the common remuneration fund, the possibility of the free use of additional profit (over and above deductions into the FRPNT) per the residual principle for the development of the enterprise's material-technical resources and others. What is needed for this?



Primarily a switch everywhere to the formation of the enterprise common remuneration fund per a quota (long-term) of the actual net product determined by the USSR Gosplan (differentiated per groups of sectors).

It would be expedient here under current conditions to regulate remuneration from below with the aid of an official scheduled system, and from above, of an intersectoral rate determining the maximum growth of average wages per a 1-percent increase in net product productivity. I mean that the remuneration fund over and above that catering for the scheduled wage would be formed only per the residual principle. It is important to increase the differentiation of the remuneration of individual workmen depending on labor efficiency and to abandon regulation of the average wage and limitation of the upper level of remuneration. Naturally, workmen's remuneration should not only increase but also diminish depending on work results.

It is being suggested that the remuneration fund be formed right now not per an established end work result quota but fully per the residual income principle and that we abandon normative regulation of workmen's wages with the official scheduled system (wage scales and rates, salary schedules, extra payments and so forth), handing this regulation over to the enterprises entirely. This is, we believe, unrealistic inasmuch as it would cause socially unjustified magnitudes of remuneration differentiation by enterprise (not excluding, particularly at first, an absence even in some enterprises of the resources for paying the workers' wages) and would complicate the planned regulation, very important for the modern economy, of the correlation of the rate of growth of the monetary income of the population and market commodity allocations.

The application under present conditions not of the non-normative, not wholly resultative-residual but normative-residual, mixed principle of the formation of the remuneration funds of financially autonomous enterprises would seem necessary. It would not complicate the formation of a common remuneration fund. The FSR would experience a change in purpose somewhat, it being necessary to leave therein, apparently, merely the part thereof which is intended for financing social amenity construction, while current expenditure on the social needs of the workforce would be covered from the general remuneration fund.

In our opinion, the new relations between enterprises and ministries need to be defined as quickly as possible and tested in the remaining years of the current 5-year plan. An appreciable step forward toward genuine self-financing will have been taken if the ministries are deprived legislatively of the functions which are alien to them under the new management conditions—the elaboration and determination for enterprises of economic rates and the redistribution among them of resources and part of profits—and if standard intersectoral rates of

the USSR Gosplan regulating the activity of independent enterprises, including the central and local budgets' receipt of part of the profits, are introduced. This would define the new status of consolidated ministries also. As distinct from enterprises, the ministry is not a commodity producer, not the owner of means of production and not a financially autonomous organization, it is an institution of state control and a government organization responsible to society for the realization of the formulated S&T, structural and personnel policy in respect of the sectoral complex as an organic whole and for its development in accordance with the strategic line of the state.

The financially autonomous enterprises' relations with the budget should be constructed with regard for the chargeability of all resources made available to it by the state and the removal of fixed and similar payments as a form of confiscation of net income into the budget. The budget would then receive from the enterprises the wage taxes and the manpower resources fee; the charge for capital investments granted by the state and the charge for natural (rental) and other resources; part of the net profit transferred per a several rate. The first two types of receipts, as also the expenditure on wages and material outlays, are for the enterprises cost accounting production costs in terms of economic content and would be reflected in the calculations of the prime cost of output. The difference between proceeds from the sale of output and its prime costs would constitute part of gross income, which would be distributed between the budget (per a long-term intersectoral rate) and the enterprise and also among the enterprise's various funds.

The enterprises' reconstructed relations with the budget and the proposed normative-residual principle of the formation of the remuneration fund are associated with the following sequence of distribution of the gross income of the financially autonomous enterprise on a normative basis:

- determination with scheduled rates and salary scales and other normative information of the scheduled wage and also the taxes thereon and the fees for manpower resources paid into the budget;
- payment of the charges for capital and natural and credit resources;
- profits taxes per standard rates for the union and local budgets;
- profits taxes per standard rates for: the FRPNT; the FSR; the enterprise reserve fund.

Following use in accordance with the said purposes, the value of the enterprise's distributable gross income will constitute the maximum possible amount of the residual part of the remuneration fund. The actual additional

remuneration fund in a given year is determined as a result of adjustment of the maximum amount of the residual part of the remuneration fund.

The sum total of the residual fund and the outlays on wages incorporated in the prime costs of output must not exceed an annual wage fund equal to the product of actual annual net output per the 5-year several rate of formation of the remuneration fund from net output. It is essential to further adjust this value, what is more, per the established intersectoral 5-year rate of increase in the average wage per a 1-percent rise in net output productivity.

If the maximum possible sum of the residual part of the remuneration fund does not exceed the sum adjusted per the binding rates, it may be used in full for additional stimulation of the workers per the year's results and additional deductions into the FSR (in accordance with a decision of the enterprise workforce). If, however, this sum is higher than that permitted, it would be expedient, in our opinion, to leave the surplus in a enterprise reserve fund to be built up in a special account at the bank and to be spent on:

- the development and technical upgrading of production (at the decision of the enterprise) without any restrictions;
- subsidies for the expenditure on wages in the prime costs of output in subsequent years in the event of a shortage of the wage fund; these subsidies will be possible, naturally, only within the limits of the accumulated sums of the unutilized wage fund in preceding years.

I believe that the proposed changes in enterprise economic accountability and in their relations with the budget and the sectoral departments are possible given the present situation in the economy even and would lead to a positive outcome. With the introduction of substantiated prices the second form of economic accountability would become even more efficient. And in the future, when the entire new economic mechanism has been adjusted and consolidated, a further step forward may be taken—the switch wholly to the residual principle of formation of the remuneration fund.

#### Footnote

1. "Model Regulations Governing the Normative Method of Income Distribution in 1988-1990 for Associations, Enterprises and Organizations Transferred to Full Economic Accountability and Self-Financing" (EKONOMICHESKAYA GAZETA No 6, 1988); "Model Regulations Governing the Formation of a Common Remuneration Fund in 1988-1990 for Enterprises, Associations and Organizations Transferred to Full Economic Accountability and Self-Financing" (EKONOMICHESKAYA GAZETA No 12, 1988).

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#### Bunich on State Order Proliferation, State Sector Leasing, Prices

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[Article by Pavel Bunich, corresponding member of the USSR Academy of Sciences: "State Order or Command?"]

[Text]

#### Both Seller and Buyer

Every manager had two faces simultaneously: that of a buyer and that of a seller. As a seller he wanted to sell freely. And he came out against the state order binding him. Soon, however, the manager understood that there was nothing to sell if raw materials, supplies, and so forth were nowhere to be bought. And he wholeheartedly stood up for a 100-percent state order, which in the absence of a market for the means of production at least feeds plants and factories somehow. The danger of being deprived of supply frightens more than the deprivation of independence. This absurd phenomenon is also generated by conservatism and by unwillingness and inability on the part of executives of the "toy business" to search for raw materials and to be concerned with sales. However, more or less programmed Soviet Putilova, who dream about creativity, form the legion of such executives. We hope that they will have their decisive say.

There is another reason weakening the interest of managers in the criticism of the state order. As soon as it mechanically replaces the former state assignment and incentives for enterprises are built on it, nothing in their situation changes if the order is assigned to them from above or not. Individual normatives of enterprise income distribution, which, irrespective of the size of the state order, leave as many funds as was decided from above to all collectives, perform the role of those reducing all to the same level. Resources are taken away from the best and are added to those kept by society. Things get to the point where age-old "state infants," whose expenditures exceed results, appear. The more they work, the poorer society becomes. However, no one remains without wages, incentive funds are the same, and capital investments are allocated by the old method. Forced labor does not lead to good results. It is eternally indebted to the homeland. It is also good that socialism is accounting. If there is nothing to gather, gather gatherings.

State orders were again criticized at the party conference. The press talked about several alternatives for improving them, which were systematically discussed and rejected by the Council of Ministers. Finally, the "Provisional Statute on the Procedure of Formation of State Orders for 1989 and 1990" appeared.

The new state order took a forward step as compared with the previous one. Its sphere became more concrete: revolutionary shifts in scientific and technical progress, foreign deliveries based on intergovernmental agreements, deliveries to state reserves, granting privileges to producers of goods sold at socially low prices, supply for the defense sector, and so forth. Apparently, this selectivity will slightly restrain the previous all-encompassing nature of the state order and will lead to the fact that enterprises will get at least some freedom. It is also noted that the state order is provided with limits of the most important material and technical resources and of construction-installation and contract work (do you believe that this has happened only recently?) and with sales (in time we shall see). This is what can and should be said in favor of the new state order. There is hardly a reason for great optimism. Therefore, its evaluation as a cardinal, fundamentally new approach, which is given by L. B. Vid, deputy chairman of the USSR Gosplan (EKONOMICHESKAYA GAZETA, No 36, 1988), seems doubtful. The fuss in connection with the present state order is similar to iatrogeny—damage to the patient through the physician's careless word, when the patient is the economy and the physician, the economist. Excessive praise for the state order closes the question concerning it as allegedly decided, or decided beforehand. Meanwhile, it is necessary, conversely, to orient the public toward an immediate discussion concerning its long-term concept and a search for practical approaches adequate to it in order to enter the new five-year plan fully armed and to promptly go through the truly decisive phase of forming the new mechanism of centralized regulation of the economy. The ecstasies in connection with the state order do not correspond even to the name of the statute called Provisional, because, apparently, it was adopted without enthusiasm, willy-nilly, and as a compromise and a half-measure, otherwise the reservation about its provisional nature would be unnecessary.

The discussion concerning the state order has begun. A few anxious voices were heard, mostly in connection with individual matters. It seems that we are in the same situation that existed immediately before the party conference. There is a lack of positive recommendations, without which critical, destructive forces are not transformed into productive ones, the situation heats up, and one does not know what to do.

#### Was There a Breakthrough?

Let us turn to formulations in the sphere of the state order. Such a formulation as meeting society's top-priority needs dominates among them. This formulation is quite amorphous and broad and can encompass whatever one likes. However, the chief thing is that socialist society, allegedly, is not capable of meeting its urgent needs without an external pressure on enterprises and that labor collectives themselves are unable to feel the priorities and to respond to them. Firm confidence that it is impossible to live without the state order is rooted in command methods and in the blind faith that, allegedly,

everything is visible only from above, while below there are blind, deaf, and dishonest labor collectives. Only the system of orders, vast centripetal accumulations, and all-Union stocks of agricultural products and building materials is seen as the hope. In many countries allotment and allocations are absent, but goods are present. Consequently, more efficient mechanisms of production and sale of products than centralized pumping and pumping over exist.

Let us examine some aspects of the state order, which encompasses all petroleum extraction. The following question arises immediately: Why should we force the production of all petroleum? Is it not more reliable to order petroleum when it is needed by the state, but is unprofitable for producers? And if it is unprofitable, should prices not be revised? If not today, then tomorrow. However, it should be explained to people that, when prices of any articles sufficiently stimulate their producers to do good work, they will undertake the role of the "autopilot" and the state order will "grow thin" drastically. In machine tool building the state order determines about 15 percent of the sector's program, in instrument making, approximately 41 percent, and in the motor vehicle industry, 21 percent. In power, transport lifting, and polygraphic machine building the proportion of the state order is from 1 to 40 percent. Such a diversity reflects the tightening of the rope between client ministries and producers and between the Gosplan and the Gosnab more than clear scientific criteria. The state order is especially big for foodstuffs and industrial goods for the people, where, it would seem, the share of this order should be minimal. The state order encompasses the entire production of sugar, vegetable oil, flour, groats, macaroni products, tea, furs, potatoes, vegetables, melon crops, fruits, berries, citrus fruit, mixed feed, hay, cotton fiber, flax fiber, wool, hides, and skins. In the Ministry of Light Industry it determines the output of goods for children, young people, and older individuals. Who has remained outside the effect of the state order? Only middle-aged people. In sectors producing goods for the public in addition to the Ministry of Light Industry the state order fully encompasses the sphere of production of color television sets, washing machines, refrigerators, furniture, electric vacuum cleaners, and wallpaper and 80 percent of various kinds of watches. On the other hand, passenger cars of the Volga Motor-Vehicle Plant are outside its operation. At the same time, enterprises of the Ministry of Tractor and Agricultural Machine Building, which produce small tractors and bench and power tools for the population, receive a state order for 75 to 95 percent of their total program. The amount of paper for books and journals is not planned by the state order, but for newspapers it is. Domestic services, that is, the sewing and repair of footwear and clothing, laundries, and public baths, are fully encompassed by the state order. The state order determines the entire commodity turnover. In 1989 capital and housing construction will have a state order for 90 percent of the capacity and in 1990, for 85 percent. The state order encompasses basic items of the cement and asbestos industry and basic



types of industrial glass. The share of the state order for the Ministry of Railways is 60 percent of the freight shipment; for passenger transport and civil aviation, 100 percent; for motor-vehicle, river, and pipeline transport, 0. For the USSR Ministry of Communication the state order determines the increase in main telephone sets (it turns out that there are also no main ones) and for the USSR Ministry of Forestry, the volume of the most important work.

An impression is created that lesser importance is attached to state orders where there are other levers of attaining the same result, but with a small difference—without giving supply guarantees to collectives; without an order, formally, but without provision, really. This is how the new statute has improved the situation of enterprises! In different sectors the set of hidden forms of pressure on collectives has a different force and is of greater or lesser specific importance. Therefore, at times all hopes are pinned on the state order and here and there on its equivalents under different names. What kind of levers are these?

The first is the dependent state of suppliers, who cannot refuse clients within their specialization, especially if economic relations with consumers are in effect for no less than 2 years. For example, with one state order for the final producer acting as the client for previous links and suppliers of accessories it is possible to tie the hands of dozens of enterprises. This does not correspond to the equality of partner relations. If the supplier can improve the products that the new consumer needs, the existing practice gravitates toward the old.

The second lever is the "pressure" of control figures on enterprises. According to the idea, they are indicative and facultative and represent information for thought. However, ministries, which, as before, are responsible for the sector as a whole, impose these figures on enterprises in order to reach the level of sectorial assignments. The Law on the State Enterprise contains everything that is necessary and sufficient for this, because it states that enterprises should be guided by control figures. The Provisional Statute on the Procedure of Formation of State Orders for 1989 and 1990 showed indulgence—control figures were transferred into the category of tentative ones. However, "Basic Methodological Regulations Concerning the Leasing of State Enterprises" were published recently. They state that these enterprises should be *guided* by control figures. If it is permissible to treat the "freest" collectives so severely, then how will it be with the rest?

Finally, I cite a quotation from the "Provisional Statute on the State Order," which is long and boring—a worse one could not be thought up: "Problems arising in the course of regulation of material and technical provision for the national economy concerning products *not included in state orders* are examined and solved as follows: concerning products of intraministerial consumption, by appropriate ministries and departments;

concerning products produced and used within national economic complexes, by the appropriate complexes of the USSR Gosplan, the USSR Gosnab, and the USSR State Committee for Science and Technology, as well as by permanent bodies of the USSR Council of Ministers, the USSR State Committee for Construction Affairs, and the USSR Gosagroprom; concerning products of intercomplex application, by appropriate USSR ministries and departments, councils of ministers of the Union republics, and permanent bodies of the USSR Council of Ministers jointly with the USSR Gosplan and the USSR Gosnab.

We will set forth this position more briefly and clearly: Everything that does not enter state orders enters the competence of superior bodies. Enterprises are completely deprived of the right to independently manage their products, as well as relations with partners. The Law on the State Enterprise, which states that collectives themselves draw up their plans, seemingly does not exist. State orders "assign" one part of these plans and superior authorities, another.

The sovereign rights of enterprises are usurped almost everywhere not so much by ministries and departments as by the USSR Gosplan. USSR Gosplan complexes are named as the first examining and deciding link for the products of intracomplex production and utilization. The USSR Gosplan also has the final say with respect to products of intersectorial use. And this allegedly is not a state order!

Sometimes the state order is issued apart from the Gosplan. For example, the USSR Gosagroprom is permitted, as an exception (in agreement with the USSR Gosplan), to form state orders for the products of agriculture and the processing industry of this complex. Councils of ministers of the Union republics through republic ministries and departments also establish state orders for enterprises of the republic economy. Therefore, the assertion that state orders are formed by the USSR Gosplan is insufficiently true.

The following formulation is also from the same mechanism robbing the rights of enterprises: "Disagreements arising between general construction and specialized organizations of ministries forming part of the construction complex, which concern matters of performance of work at these projects (included in the state orders of builders), are examined and *resolved* by appropriate ministries and the USSR State Committee for Construction Affairs, and of construction ministries and departments not forming part of the construction complex, by the USSR Gosplan." It is of no significance whether enterprises like this or not and whether this is profitable or unprofitable for them. This was decided from above and that was that. Obey without arguing. Or argue, but obey. An unenlightened monarchy was replaced with an enlightened one.

If state orders of the Gosagroprom and councils of ministers of the Union republics, the same orders only without the word "state" issued by the Gosplan, the Gosstat, the State Committee for Science and Technology, ministries, and so forth, the coercive, a priori established nature of direct relations, and the pressure of control figures are added to the Gosplan's state orders, is there much left for enterprises themselves to determine? Therefore, the information that the number of indicators for the delivery of products in the form of the state order was reduced to one-sixth for next year can hardly be considered convincing (EKONOMICHESKAYA GAZETA, No 36, 1988, p 4). In addition to the fact that only the formal state order of the USSR Gosplan is taken into account here, this figure takes away from another, more important one, that is, the volume of the state order, which with the small number of items (consolidated and unitized) can even be bigger than with a wide list of articles. The assertion that the volume of the state order will be lowered to one-half or one-third during the forthcoming 2 years is slightly closer to life and farther from the propaganda. However, such an extended amplitude of the supposed reduction in its share is not characteristic of our "iron" Gosplan, which, usually, comes out with well-defined, not vague, draft plans. Possibly, the insufficient elaboration of the matter concerning the state order on its part is reflected in this.

On the Gosplan's instructions state orders are given out to enterprises by producer ministries. But why not by client ministries? They would do this work with greater interest and more efficiently and would introduce direct, operational relations between clients and contractors.

#### Archimedean Lever

What forms the basis for the old approaches to the state order? How "to get away from evil and to create good"? Everything depends on cost accounting. It is the Archimedean lever. If we make cost accounting effective and full, collectives, without urging them on with an excessively big state order, will accomplish the maximum possible. Knowing that well-being depends on labor, they will not understate plans. Conversely, they will search for demand and chase after the clients' every ruble. In the modern economy this is attainable only with an early self-provision of producers with raw materials, equipment, and so forth, that is, in the presence of contracts with suppliers, in other words, with a stepped-up plan.

Two cost-accounting models are now applied almost exclusively in the state sector. Both retain individual normatives of income distribution and leave us indifferent to work, inert, and sluggish. Everyone receives little, but equally and in a guaranteed manner. Such an equal value of the applied models puts the enterprise in the position of Buridan's ass, which is in a state of rest between two equal decisions with the difference that the ass has to choose between two bundles of hay, and the enterprise, one out of two evils.

In contrast to the state sector cooperative workers earn much more, although not in a guaranteed manner. Naturally, they need not be persuaded to work. How to transfer such an attitude toward labor to the state sector? A way out was found—the non-normative cost-accounting model. Here the collective shares the income entirely (minus taxes to society). Earnings are not according to last year, as in the state sector, but according to this year, as in cooperatives. Average wages are not limited and individual wages are regulated moderately by a progressive tax. In order to avoid an artificial transfer of funds for production and social development into the wage fund, apparently, it is advisable to raise the tax on the wage fund as compared with deductions for social needs and not to tax deductions into the production sphere at all. All this will instill in man the strength of Antaios and will economically interest and force him to work well. Interest is a very powerful incentive.

All power is being transferred to councils of labor collectives, which decide everything, being responsible for any production matters and the social development of enterprises. They have the right to say: The state is I. At the same time, the slogan "All Power to Soviets of People's Deputies" is justified. Soviets have the decisive say in the determination of territorial development, nature protection, the population's job placement, and urban construction. "All Power to Soviets" is their integral.

The non-normative cost-accounting model in the state sector acquires a leasing modification. The point is that its fixed capital is created at the expense of all society. Therefore, depreciation allowances, which compensate for the social value lost in the course of operation, and some interest on the "capital" from the profit of collectives, which together forms the rent, naturally, belong to the lessor. If it is not introduced, state enterprises will appropriate for themselves what is created not by them and will take the profit due the lessor. In case of termless leasing (it is highly promising with respect to entire enterprises) the lessor leaves the depreciation to the lessee, thereby shifting to him the material responsibility for the further existence of the leased projects until they are written off owing to complete economic unsuitability.

True, there is a charge for capital, which state enterprises transfer to the budget. However, it is worse than the rent, because it does not include depreciation and, as a rule, is collected in the form of the same interest during many years instead of fluctuating depending on the supply of and demand for leasing. The charge for capital is collected irrespective of whether it is created from the resources of all society or of a cost-accounting collective, or from credit, for which interest is charged anyway.

Cooperatives create their capital at their own expense, justly leaving depreciation and the profit on "capital" for themselves. Taking a lease on certain projects, undoubtedly, cooperatives pay for them. The rent puts

state enterprises and cooperatives under equal conditions. When the productive capital of state enterprises increases at their expense, or the capital leased from the state is bought out, then depreciation and the profit on "capital" also should be fully left to collectives.

The leasing contract is now the highest cost-accounting form of all enterprises. Therefore, it is advisable to change over to it immediately and to form the economic system of socialism directly, bypassing the liberalized command one. It is more complicated to do this than to follow the beaten path. However, the deeper the transformations, the more rapidly they occur. The algebra of the revolution is "richer" than arithmetic. It is important that leasing relations arise as they are understood and as they mature and are not "introduced" with administrative rapture in a rush manner and without exception in the literal sense of this word. However, we will not fall into false optimism. There are people, who have lost the genetic habit of working well, whom it is not simple to quickly captivate and involve in active life. These are people with undeveloped needs, who prefer to do nothing for 200 rubles per month than to work hard for 500. For them the traditional state sector with the setting of unwarranted pay and bonus levels is more desirable than cooperatives and leasing. The phenomenon of shirking labor and of "deception" of work on the part of dependent people, in contrast to a proprietary attitude toward it, fits the image of depeasantization. The atrophy of the interest in production eats away at the leader not to a lesser extent, giving rise to his labor apathy and deproletarianization.

Unfortunately, the interest of cost-accounting Gulliver has not been awakened. Contract leasing collectives are islets of health in the ocean of disease. If under such conditions collectives are given free rein, enterprises, all equal before the plan, will not spare efforts to understate their assignments even more strongly. In order to prevent such a recoil, no other way remains except pressuring enterprises with an inflated state order, which administratively forces them to work, as the state considers it necessary, at least at last year's level with a certain increase. As cost accounting is strengthened and the leasing contract becomes widespread, it is possible and even necessary to reduce the state order accordingly. When the producer wants the same thing as the consumer, he is a superfluous party. And if a discrepancy between them is revealed here and there, what of that—no one prevents them from using the services of the state order.

#### State Orders, Incentives, and Contests

In contrast to previous state orders, incentives are somewhat provided for the new ones. For enterprises with its big share the left profit is to be increased within 10 percent through a reduction of payments to the budget. Why up to 10 percent? Why depending on the share of the state order? The share can be low, but bending down; high, but comparatively not burdensome financially.

The privilege is canceled if the state order is not fulfilled—0.01 percent just as 100 percent. It is established only for processing industry enterprises producing non-foodstuffs and contract construction organizations developing production projects. Incentives for fuel and raw material sectors are provided only for above-plan state orders. Planned ones—and this is the main part—have been taken out of the incentive mechanism. Agroprom enterprises have not at all fallen into the "wide range" of additional rewards. Once the state order remains without incentives, naturally, it is imposed. Today we have "contests" for a low plan. There were no and there are no "contests" for high orders.

Only when orders become profitable will private interests enter the channel of public interests and will there be a balance of interests, not a realization of some at the expense of others. Different methods exist for the priority profitability of state orders: rise in prices for producer (but not consumer) enterprises, preferential crediting, tax, depreciation, currency, customs, and supply privileges, and direct subsidies. The choice of methods should be determined by the specific situation. Then there will be a chase after state orders, supply will exceed demand, and contests will arise.

With respect to the chief thing—establishment of the state order—the "Statute" does not engender enthusiasm. However, deviations from it will do damage to manufacturers, which is compensated for by the bodies that have issued the state order: by sectorial ministries, at the expense of their centralized stocks and reserves; by the USSR Gosplan, the USSR Gosnab, and councils of ministers of the Union republics, at the expense of appropriate budgets. It would be fairer to compensate for the damage not at the expense of those that have established the state order, but at the expense of those that have adopted the decision on its revision.

#### State Order and Shortage

Enterprises have too much money and few resources. The prices of these resources are old and have not yet been revised. If such resources are sold freely, they will reach those in line who are closer to scarce goods rather than those for whom this is more important. If, let us assume, demand exceeds supply in our country, it turns out that socialism is transformed into a state of accounting and distribution. The superstate order is a guarantee for the emergence and distribution of limits. Limits have also burst into the sphere of personal consumption. And there is the same power of owners of scarce goods and the same abuse of it. As soon as limits are given out to collectives, they bind suppliers to obedience and predetermine clients' behavior even if a directive state order is not given the latter from above. As a result, a leash is put on collectives.

The existence of lines is now discussed and condemned everywhere. Some specialists believe that the reason for lines lies in the poor work of trade. This is partly true.



Yes, a great number of workers in this sphere conceal scarce goods, intensifying the shortage and increasing their income. Yes, the trade regime is such that during the day there are comparatively few customers in stores, but during the short time before closing, many. Yes, there is a shortage of modern technological trade equipment and of packaged goods and trade areas do not meet norms. However, the last group of factors is not on the side of trade, but on the side of production. What is even more important, it determines the total amount and structure of the commodity mass. If the sizes of trade areas increase and the commodity mass remains as before, lines will be distributed among a bigger number of stores and sellers, who after the sale of scarce goods will begin to be idle. Then it is better to reopen the previously closed departments of wine and vodka products than to establish new trade centers operating 3 hours a day. The assertion that trade is mainly to blame for lines resembles a new outbreak of economic "romanticism," which lies in the attempt to eliminate alcoholism through a reduction in the sale of vodka. It is said (a fairy tale or truth) that sugar and yeast were placed in the window of some cooperative under the slogan, "Do It Yourself." Cosmetics and household chemical goods followed the new assignment. It is difficult to calm the stormy sea of skilled craftsmen, especially at the high prices of vodka.

Probably, limits will remain the most vulnerable spot in the economy. Although in 1986-1987 the saving of material expenditures made up only 0.1 percent, as compared with 2 percent according to the plan, limits for 1989-1990 are the consequence of the idea of overfulfilling the five-year plan for saving them. Can one be confident that such an idea will be implemented? What new mass forces will be able to realize it?

How to dig up the root of limits, which feeds state orders? Again cost accounting, which reduces the limiting sphere, can do this, because it gives rise to supply, evokes interest in saving resources, and reduces the demand for them.

#### State Order and Prices

It was mentioned above that the prices of resources received by enterprises correspond neither to their quality, nor to their quantity. However, before resources are distributed, they are created. Unacceptable prices, from consumers' point of view, are also harmful for producers and disorient them as a defective compass. Swelling the state order is a method of leading enterprises to the correct channel, as compared with current prices, a method especially necessary before the price reform. It will also be needed after it, because the role of the forthcoming reform should hardly be exaggerated. Even after it we will have claims against prices for a long time.

What price formation does not need the "crutches" of the state order? Obviously, the price formation that opens the lock to new things in demand and that places

a barrier before old production, which no one needs. However, many goods of cooperative and state production, for which there is a big demand, continuously go up in price. The Achilles' heel of the conducted economic reform lies in this. And what if, as prices go up, the people's earnings are increased—would this be bad? One should not fear high prices covered by the growth of income on the basis of the non-normative cost-accounting model. Rather one should fear low prices with a declining income, which ground the standard of living, in addition, paralyzing the interest in the output of quality goods and dooming the economy to vegetation in a dead zone.

When enterprises themselves are responsible for activities and inactivities and their budgetary and departmental leveling is excluded, income arrhythmia is possible. However, it is better to work unstably efficiently than stably inefficiently. In addition, the profit cardiogram can be leveled with risk funds, with the sale of internal licenses, which compensate for the initially high expenses of production pioneers, with credits, with insurance, and with the orientation of collectives toward several types of activities, in particular, toward revolutionary changes in some products and evolutionary changes in others. The most radical economic shifts, as now, need the state order.

We have become accustomed to the fact that prices are set in a centralized manner. The State Committee on Prices, which protects not only the foundation of socialism, but also its own foundation, also reinforces this confidence. Nevertheless, let us recall that free, contractual prices are in effect in some kingdoms and in some, including socialist, states. No matter, it is possible to live—the economy does not collapse. Should we also not give thought to the positive features of the self-regulating price mechanism? At first it should be approved with respect to a group of goods, of course, a substantial one. During the initial shortage, in the period of entry into the normal trajectory of correlation between supply and demand, they will increase, not globally, but locally. However, they will also decrease locally; for example, for food products and consumer goods, whose mass, owing to present cost accounting, will become bigger and sale at reduced prices will be prepared by the reduction in expenditures. If, however, the freedom of enterprises in income distribution is permitted simultaneously, wages will also increase. Firm salaries, pensions, allowances, grants, and so forth should be promptly corrected by the retail price index. However, we know how to raise prices, but to leave income as before. Such an alternative in contractual prices is fraught with the worst consequences. And our reader made wiser by experience rightly fears them.

However, cost accounting opposes the elimination of unprofitable goods, because after the market is saturated with highly profitable articles the benefit increases only through the sale of less profitable ones, which are in demand. Nor do low-quality goods have a long life. If

surplus comes, primitive articles will remain at producers' warehouses and their producers, at bankrupts' warehouses. Let us go back to the growth of earnings. When one barter worthless goods, incentives virtually keep silent. In combination with the output of the most attractive articles they speak at the top of their voice, which has to be demonstrated if Euclid's favorite conclusion is to be used. I will stress once again the words about the non-normative leasing model presupposing the growth of workers' personal income on the basis of the growth of production and its efficiency and the "bartering" of new demand, not mechanical centralized wage raises, which are not supported by additional commodity resources and are fraught with a one-sided increase in demand in the presence of previous supply, with a rise in prices, and with problems. The state order should be reduced by the same amount by which prices rise. When society needs socially low prices, there is no better way than the application of the state order.

Economists fight for competition and demonopolization. However, they do not pay attention to the fact that during a shortage competition does not lead to a reduction in prices and, in practice, is paralyzed by the fact that sooner or later everything will be bought up and snatched at high prices. When competition exists on the basis of some overproduction, then the [factor] lowering the price will ensure the sale of goods and the one restraining it, will not. Cost accounting will make it possible to reach such overproduction. It is the first incentive for producing more and better.

Allocation methods of the command economy hamper competition. The ideology of labor, which only after "illumination" by the market becomes recognized and social, conforms to the cost-accounting system. The direct allocation of every commodity from the producer to the consumer given out for the "directly social" nature of labor corresponds to the command model. The ruble automatically pays for what still needs an examination and, possibly, will never pass it. It is not a symbol of value, but its surrogate, not money, but an income-expenditure order. Only the production of personal consumer goods, which to some extent is checked and seized by us, as free customers allowing disobedience to authorities, is not subject to allocation. There is no denying: Socialism as a controlled, regulated, and planned economy is closer to directly public production than the spontaneous economy. This is not a ritual assurance from an orthodox political economic dictionary. The lack of coordination gives rise to disproportions in production and capital investments and disrupts the trade turnover and the population's monetary income. The state order partially closes underproduction, but not entirely, and does not insure against overproduction. To forget about the importance of coordinating institutions is bending in the opposite direction from supercentralization, that is, more than a mistake. Not in vain do cooperative workers establish their own unions. And state enterprises in the justified heat of struggle against subordination throw out the necessary coordinating authorities in vain.

Thus, the new state order has less of the new than of the old with the exception of its effect in cooperatives, which is always stimulated and, therefore, voluntary. "In your innovations we hear the old ways." This situation resembles one, in which old clowns are forced to perform new tricks. It is not fatal to be accepted gratefully. The declining state order should be destroyed. Cost accounting is the fundamental prerequisite for this. We should pay the most attention to it, boldly develop the leasing contract everywhere, and search for funds for training managers without delay, considering these tasks no less immediate than the realization of food and housing programs, as well as the output of consumer nonfoodstuffs. Precisely this will lead to a reform of the state order—one of the decisive economic reforms. The period of the document's preparation has already exceeded the period of society's patience.

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### **Effectiveness of State Acceptance Lower Than Expected**

18200184 Vilnius SOVETSKAYA LITVA in Russian  
12 Jan 89 p 2

[Article by I. Yakubovskiy, inspector of the LiSSR People's Control Committee: "Departing from the Major Tasks"]

[Text] Almost 2 years ago, in keeping with a government decree, state acceptance agencies began to be formed. This was supposed to have been one of the main levers for contributing to the most rapid reduction of the output of low-grade and poor-quality goods. What changes have taken place since that time in the quality of items manufactured by industrial enterprises? How effectively is state acceptance working? The LiSSR People's Control Committee asked these questions.

They were raised while checking on the state of affairs in three plants: the Alitus refrigerator plant, the Mazheyk compressor plant, and the Shyaulay machine tool building plant. The results, unfortunately, were disquieting. For example, in 1986, that is, the year before the introduction of state acceptance at the Alitus refrigerator plant, the total level of complaints and warranty repair of refrigerators amounted to 4.1 percent and during 9 months of last year it dropped by only 0.3 percent. The level of complaints dropped by only 0.1 percent during this period at the Mazheyk compressor plant. There was essentially no decrease in the fines for the delivery of poor-quality items, expenditures on warranty repair, and other losses from defective work, and the overall amount of these exceed a half million rubles a year for each of the two plants.

What is the reason for this situation? Why are we experiencing so little progress? There is no doubt that state acceptance alone with its purely coercive methods of influence is not enough for a radical improvement of product quality. But this institution could do significantly more.

As we know, the provisions concerning state acceptance define its basic task as quality control of finished items. Unfortunately, at one of the enterprises that was inspected the achievement of this task cannot be considered normal. Thus the leaders of state acceptance at the Mazheyk compressor plant limit themselves to merely observing the work of the plant OTK [technical control division] controllers when they do receipt and release testing of the items. It is clear that it is impossible to affect quality by doing this. The cycle for the production of machine tools at the Shyaulay machine tool building plant does not end until the last days of the month in the majority of cases. Because of this state acceptance workers, striving to complete the acceptance of all products before the end of the corresponding report period, have agreed to provide quality control of the finished products before the preliminary testing of the plant OTK is completed. This situation nullifies the role of the plant controllers and reduces the results of their work.

Among some of the state acceptance specialists there has appeared the "theory" of certain "noncritical defects," and on the basis of this they permit themselves when inspecting items not to notice certain deviations from the requirements of the normative technical documentation. As a result, at the Alitus plant, for example, upon reinspection of three refrigerators that had previously been accepted by state acceptance and OTK workers, defects were discovered in the installation of the finishing parts, painting, and packaging of all of them. Deviations like this were found in products that were accepted from other enterprises as well.

A leitmotif that pervades all documents regulating the activity of state acceptance is the idea of its exercising so-called preventing control, the basic method of which is to reveal and eliminate the causes of defective work. The USSR Gosstandart has even developed special requirements regarding this, the essence of which is analyzing the reasons for the appearance of defective work, determining measures for preventing it, revealing the parties guilty of it, and taking measures to influence them. Alas, not all state acceptance workers fulfill these requirements. For example, state acceptance at the Shyaulay machine tool building plant this year discovered in almost every batch that was submitted 3-4 machine tools with excessive play in the camshaft, but they limited themselves merely to entries like "the guilty party was warned." But who is this guilty party? Why has he regularly failed to meet the requirements of the technical specifications? What must be done to eliminate the causes of the defects? When will this be done? State acceptance workers to not give any answers to these questions.

The most important duty of state acceptance is to monitor the level of development of technical documentation, the observance of technological discipline in the processing of individual parts, installation work, and so forth. But the workers are far from always on the highest level here either. For example, at the Alitus refrigerator

plant state acceptance workers put up with a situation where for months absolutely necessary corrections were not made in the technical documentation. Even in the technical specifications and methods for testing refrigerators there were references to rescinded standards, contradictory entries in them, and other imprecisions.

State acceptance agencies do not devote enough attention to the observance of technological discipline and they do not always consistently enough implement measures for preventing defective work or monitoring the implementation of their own decisions. Thus at the Alitus plant, because of repeated violations of the technological process for preparing the surface of the refrigerator housings before painting, in September of last year the acceptance of products was halted for 4 days. And what was the problem? And inspection conducted a month later revealed the same deviations from the requirements of technological instructions. State acceptance at the Mazheyk compressor plant coordinated with the administration the standard for selective inspection of items for individual parameters of the periodic testing, but in practice even the requirements of this standard are not observed.

Unfortunately, there are quite a few cases like this, and they cannot but cause concern. The situation is also complicated by the fact that certain state acceptance workers are not concerned with the efficiency of their work or improvement of its organizations, and as a result their high qualifications and production experience are not fully utilized, and sometimes it is simply wasted. For example, state acceptance at the Alitus plant inspects one out of ten finished refrigerators by external examination, and one out of 100—for their correspondence to the functional and thermo-energy requirements. Five of its workers are employed in this here. Let us say frankly that this is not very much work. And control over all of the plant's finished products in keeping with the full program of acceptance and release testing is provided by only 47 controllers of categories II-V and three OTK specialists. An elementary calculation shows that even the purely physical employment of the state acceptance specialists in this operation is lower than the work load of the OTK worker-controllers by a factor of 1.5-2.

The potential of highly qualified engineers from state acceptance is not fully utilized in questions of raising the technical level of the products. And it is not only the workers of this agency who are to blame here. Thus provisions approved by the government make it the duty of state acceptance to participate in state certification of products. The USSR Gosstandart has gone further, and in its provisions concerning the organization of state acceptance work it has written that at the enterprises it performs all the functions of the Gosstandart related to certification of the products produced by the enterprise. The problem is, however, that it has assigned these functions but it has not shown the proper concern for making sure that this extremely responsible work is done well. As a result, mainly because of the lack of the



necessary information of both a methodological and a technical nature, state acceptance workers have not exerted the proper influence on the certification process.

What would I like to say by underscoring these facts? Some people think that state acceptance is a superfluous, retarding element in the technological flow of the production of products, and moreover it performs its duties poorly. This is not at all the case. State acceptance workers at the enterprises that were inspected made a significant contribution to the cause of improving the quality of the products being produced, and, moreover, they have contributed and still contribute to making sure that the items they inspect better satisfy the demands of the population and increase their ability to compete on the world market. But it cannot be denied that in the work of certain state acceptance agencies—which are relatively young agencies not burdened by conservative traditions—instead of healthy efficiency, there are sometimes elements of formalism and bureaucratism. This reduces the potential very much and does harm to the cause.

The republic people's control committee at its meeting heard the state acceptance leaders at the aforementioned enterprises and demanded of them as well as of plant leaders that they take measures for eliminating the shortcomings that were revealed and improving the results of their activity. Disciplinary penalties were imposed on certain individuals. The Lithuanian republic administration of the USSR Gosstandart recommended improving methodological and practical assistance in product certification and other questions of organizing and increasing the effectiveness of the work of state acceptance.

#### Readers' Letters Debate Merits of State Acceptance

18200158 Moscow *SOTSIALISTICHESKAYA INDUSTRIYA* in Russian 18 Jan 89 p 2

[Letters from V. Demchenko, chief of state acceptance at the Tula Railroad Machine Building Plant, and V. Bykov, chief engineer at the Aleksandrovsk Plant imeni 50th Anniversary of the USSR: "Two Views of State Acceptance"]

[Text]

#### A Gesture of Desperation

V. Demchenko:

Yes, state acceptance is a new means of administrative pressure on enterprises. Yes, its potentialities are not unlimited. In the end there is a set of objective factors which, if not eliminated, make it impossible to reach the needed level of quality. First of all, there is imperfection in management of the national economy and the regulated nature of the system of standards and product

quality evaluation. But the emergence of state acceptance may be called a gesture of desperation by our society, which is just trying to stop the flow of shoddy goods somehow.

The consumer could assess the quality better than any state acceptance. But our Soviet consumer is compelled to take everything that is provided. So perhaps it is worth adopting the standard for evaluating products in the foreign market? If an item is purchased abroad, let us say, everything is in order and both the enterprise and the state receive a profit. But if not, the enterprise pays a fine to the state treasury out of its profit. Under a system of incentives and fines together, there is no longer a need for a measure so expensive for the state as certification of a product in accordance with quality categories.

But until there is market control, state acceptance is necessary. Evidently, it bothers some economic managers a great deal, since they have suddenly begun showing concern about the state's pocket by stating that too much money is spent upon it.

#### In the Name of a Letter

V. Bykov:

It has been maintained for a long time that the overwhelming majority of the people approve of the introduction of state acceptance and its work. It would be interesting to learn how this majority was counted.

I think that determining whether state acceptance is carrying out the tasks entrusted to it and whether the money invested in it is justified is not so difficult. It is enough to respond consistently to two questions:

1. Has product quality improved under state acceptance?
2. If it has, is it because of state acceptance or in spite of it?

There is an affirmative answer to the first question, in my view. It is more difficult to answer the second question, but this is also the essence of the problem.

There is no question that state acceptance helped to shorten the gap between the level of quality that was possible with the current technical support for production and the level which actually exists. But the reduction was insignificant, and it took place basically in the first stage of state acceptance's work, for approximately 6 months or a year. Fundamental improvement in quality can only be achieved after drastically changing the technical level of production, as well as changing people's attitude toward quality. But state acceptance is taking practically no part in this. Moreover, it has picked up bureaucratic speed very rapidly and is now hampering an increase in technical level itself.

It is believed that state acceptance is protecting the consumer's interests by saving him from the dictates of the monopolist supplier, who is only thinking about how to palm off defective output on him. In point of fact, state acceptance does not represent the interests of the consumer, but of standard specifications.

Apart from everything else, state acceptance has removed specialists from production. Let them stay at their former positions, they would have done a great deal more to increase the technical level of an enterprise.

In summing up everything that has been said, I believe that product quality increases completely independently of state acceptance. Moreover, no matter what its good intentions might have been, in real life it has gone to the side of bureaucratism. It has gone so far that I doubt whether it is possible to turn it back.

For this reason, I consider it necessary to have broad discussion about the expediency of state acceptance before the draft of the new Law on Quality is published.

**From the editorial staff:** In publishing these letters, we are counting on readers to continue the controversy begun in them. So what is your opinion: is state acceptance necessary?

**Effectiveness of Small Enterprises Evaluated**  
18200128a Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 46, Nov 88 p 15

[Article by D. Vanderflit, director of the small consultative and introductory enterprise Imakon: "Small But Productive"]

[Text] "I have heard that in Estonia small state enterprises are being created attached to large-scale enterprises and that they are operating rather successfully. I would like to have more details on the economic conditions surrounding their operations," from the response by V. Smirnov (city of Penza) to an *EKONOMICHESKAYA GAZETA* questionnaire. Similar desires are being encountered in letters from other readers. In responding to this request, we are publishing material on the operational experience of small enterprises in Estonia.

Many individuals are of the belief that stable economic success can be achieved only through large-scale production involving the use of millions of tons, cubic meters and rubles and thousands of employees. But indeed, even small technically well equipped enterprises have their own advantages. They can take into account more rapidly and in a more flexible manner technological innovations and changes in demand, they can satisfy more efficiently the needs for small series and unit production and they can make better use of available labor resources, especially in small cities.

**How Are Small Enterprises Created**

Interesting operational experience in the operation of small enterprises has been accumulated in the Estonian SSR. Back in December 1986, a committee for implementing improvements in administration, planning and the economic mechanism approved a recommendation for creating small enterprises within the framework of an economic experiment carried out in Estonian light industry and subsequently a republic committee was authorized to hand down decisions concerning their creation in other branches of the national economy.

The economic mechanism of small enterprises has its own peculiarities. What do they consist of?

An enterprise is considered small if less than 50 individuals are employed (the restrictions with regard to performing more than on job have been removed). As a rule, these enterprises are created in response to a request by a state enterprise, institution or organization (founder) on a competitive basis. That is, the founder presents the technical-economic computation on the basis of which the decision is handed down.

Small enterprises have legal independence, their own current account and balance and they operate on the basis of complete cost accounting, self-recoupment and self-financing.

How are the fixed and working capital required for commencing operations formed? The enterprises obtain them either from the founder or they are created by means of bank loans extended under especially favorable conditions. The leasing of fixed capital from other enterprises and organizations is also authorized.

Of equal importance is the fact that an enterprise-founder can transfer fixed capital from his balance to the balance of a small enterprise. Temporary financial assistance (including in foreign currency), which is subject to repayment within established periods, can also be furnished. Small enterprises can use their own currency receipts, the currency of the founder and also the funds of a currency loan of USSR Vneshtorgbank [Foreign Trade Bank] for acquiring imported equipment, technical documentation, technology, instruments, materials, raw materials and component parts. The loans are repaid using currency obtained from the exporting of products.

**Peculiarities of Planning**

Planning operations have their own special peculiarities. A small enterprise carries out its economic operations based upon true consumer demand within the limits of its established work profile. The following are established for it:

1. Stable economic normatives for withholdings from income: for the state and local budgets; in favor of the founder and depending upon the proportion of participation, if this is defined in the agreement.

2. Economic normatives for withholdings from cost accounting (net) income (called for as needed during a change in the economic situation)—for the wage fund; for the fund for production and social development; for the financial reserve.

3. Limits: for centralized capital investments for new construction; contractual construction-assembly work; planning operations.

4. Funds for material-technical resources.

No payment is established for a small enterprise for fixed productive capital or working capital. The plans for economic operations are prepared based upon economic normatives, limits and consumer orders and taking into account consumer demand and market conditions. The annual plans are adopted during a general meeting of the workers, they are approved by the director of the enterprise and they are reported to the higher organization. Primary accounting and reporting are carried out using simplified forms.

#### Possibilities for Economic Maneuvering

A question may arise: what actually lies behind the interest of an organization that creates a small enterprise?

First of all, a small enterprise is inseparably associated with its founder and it performs an auxiliary role with regard to that founder. For example, it specializes in light series or unit production and it produces non-profit products and consumer goods.

Secondly, a founder-organization strengthens substantially its position in the market as it acquires a unique window for various types of limits, funds and financial and other limitations. Indeed, a small enterprise is authorized to purchase and sell products and services on a non-cash as well as a cash basis to state and cooperative organizations, local soviet organs, wholesale and retail trade enterprises and also directly to the population.

Thirdly, small enterprises are more efficient in mastering new types of products and they are capable of serving as proving grounds for the use of scientific and technical achievements, especially in the zone of raised economic risk—in electronics, robot engineering and in the area of new construction materials and bio-technologies.

Large-scale scientific organizations are also able to avoid subject themes of minor importance, strengthen their links with production and accelerate the process of producing, testing and making experimental products available for series production. Quite often, the collectives of small

enterprises are formed for a definite period of time for the purpose of solving specific scientific and production tasks and this also raises operational efficiency.

As a rule, the practice of price formation arouses many questions and this is to be expected. The products and services for which state prices and rates are established are sold at these prices or rates. New types of products and services are sold at suitable prices and rates which were approved in the established manner—permanent, temporary or contractual. Permit me to add a few words concerning wage questions.

The collectives of small enterprises independently develop the official schedules and salaries for workers which are approved by the enterprise directors. The ratio between growth in labor productivity and the average wage is not established and no limit is placed upon the bonus amounts paid to individual workers.

Given the economic conditions which prevail in Estonia, where cooperatives are developing at a rapid rate, small enterprises enjoy fine prospects for the future, especially in those areas where a requirement exists for rather considerable amounts of initial resources, fixed capital and raw materials, all of which are beyond the capabilities of the cooperatives.

#### Initial Results

Prior to the beginning of October, there were already more than 100 small enterprises operating within the republic, more than one half of which belonged to the Gosstroy [State Committee for Construction]. At the present time, the republic committee does not hold a meeting but that ten or more petitions by various ministries, departments and organizations concerning the creation of small enterprises attached to them are reviewed. Since the beginning of this current year, 35 small enterprises employing 431 workers have been created within Gosstroy for the ESSR alone. The volume of work carried out is in excess of 3 million rubles. The principal trends for economic operations—production of items and structures made from wood, reinforced concrete, dolomite and also construction and repair operations. Two enterprises are concerned with the creation of equipment and its introduction into operations.

Work is proceeding well within the system of light industry. For example, the planning-design bureau of the administrative systems for the "Maynor" Administration and the Tartu Leather Footwear Combine became the founders of the small "Maynor King" enterprise, which will produce athletic footwear, mainly Krossovs and Keds. This year alone, it intends to produce roughly 300,000 rubles worth of products.



The "Mayko" sewing enterprise was created by the imeni V. Kelmenti Sewing Association and the Payde Mechanized Construction Column in Payde. This enterprise has commenced the production of work clothing of special designs. A sewing enterprise is in operation at Khummuli. It produces work clothing for agricultural workers and stylish outer sports clothing, the cost of which is lower than that of cooperatives. The founders—the Baltika Association and the Khummuli Sovkhoz.

Another small enterprise, established as "Marat," has commenced the construction of production and cultural-domestic installations for its association. Here, at the 'Marat,' still another enterprise is being created for the production of sporting knitted goods bearing an artistic design, the annual production volume of which will be valued at roughly 1 million rubles.

Growth in the number of small enterprises in branches in the non-productive sphere appears to be especially promising. One recent example—the reorganization into a small enterprise of the State Historical Museum for the Estonian SSR.

#### Consultative Firms

Small consultative firms have been developed. Two consultative firms have been created in the republic's light industry. The "Maynor-Konsultant" is furnishing advice on the organization of administrative work and the "Maynor-Mentor"—on the organization of labor and wages at enterprises. Within the construction system—the firm "Kodamu." Here the enterprises can obtain consultation and submit a request for collaboration in solving the following personnel problems: the search for and an evaluation of leaders and workers, the adaptation of new workers, a study of the psychological climate, the formation and stabilization of a collective and the professional orientation and search for suitable grant-aided students.

Under the conditions imposed by a raised demand for scientific thought, the development of non-traditional managerial methods and changes in the systems for organizing labor, wages and administration, the small consultative-introductory enterprise "Imakon" was created attached to the Estonian Branch of the Scientific Research Institute of Labor for USSR Goskomtrud [State Labor Committee]. Services are being provided for ministries, departments, executive committees of soviets of people's deputies, enterprises, organizations, institutes and the population in connection with the introduction of collective, lease and cost accounting contracts. Special programs are being developed for the creation and development of cooperatives, small enterprises, especially innovative ones, and with subsequent current consultation regarding their operations. Our enterprise is also providing services in connection with the conversion of enterprises and organizations of the non-productive sphere over to the new wage conditions,

with simultaneous improvements in the economic mechanism. We intend to carry out the development of socio-economic programs for the development of labor collectives, branches and territories. The possibility also exists of offering services for the development and introduction of systems for administering the labor resources of a region and consultation on other labor questions, wages and on social development.

At the present time, there is already no doubt but that small enterprises are making it possible to find new models for management, to pursue various operational directions and to develop new administrative methods which may be of use in large-scale production. Moreover, in view of the fact that they are oriented mainly towards satisfying local requirements, they are creating definite prerequisites for strengthening the regional economy.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Structural Changes in Capital Investment, Retooling

18200123a Moscow VESTNIK STATISTIKI in Russian  
No 10, Oct 88 (signed to press 6 Oct 88) pp 58-60

[Article: "Materials from Press Releases of USSR Goskomstat [State Committee for Statistics]"]

[Excerpt]

### Improving the Reproduction Structure of Capital Investments

A typical feature of the investment policy developed by the 27th CPSU Congress is the orientation toward technical retooling and redesigning, which make it possible to accelerate considerably the country's production apparatus and to overcome its tendency to become obsolete and obsolescent.

In conformity with the perestroika strategy in the investment sphere during the first two years of the 12th Five-Year Plan there was a considerable increase in the volumes of funds for technical retooling and redesigning of existing enterprises. In 1986-1987, 87 billion rubles of state capital investments was used for these purposes. The average annual rate of increase of investments for technical retooling and redesigning came to 18.7 percent, which is almost 3 times more than in the 11th Five-Year Plan. In the first half of 1988, the tendency of their growth was preserved—the volume of capital investments increased by 6 percent.

The funds allocated for the technical retooling and redesigning of existing enterprises were used in 1986-1987 by 103.6 percent.

The considerable increase in capital investments for the technical retooling and redesigning of existing production made it possible to increase their share in the overall volume of production construction from 39 percent in 1985 to 44 percent in 1987.

However, there was somewhat of a worsening of the structure of investments used for technical retooling and redesigning. With an absolute increase of expenditures for equipment, tools, and stock, their share in the overall volume of these funds dropped from 71 percent in 1985 to 69.2 percent in 1987, including, for technical retooling, respectively 90.9 and 89.4 percent, which does not promote the building up of the assets part of the fixed production assets.

The priority of technical retooling and remodeling required the definite limitation of new construction and expansion of existing enterprises. The share of capital investments used for new construction, in their overall volume for projects intended for production use, dropped in 1987, as compared with 1985, by 1.2 points, and for expansion, by 4.4 points.

Qualitative shifts in the reproduction structure of capital investments during the first years of the 12th Five-Year Plan also occurred in most of the national-economic complexes. The change in the share of expenditures for technical retooling and remodeling in the volume of production structure by the various branches of the basic national-economic complexes is characterized as follows (in percentages):

	1985	1987
Fuel and energy complex	25.0	26.2
Metallurgical complex	48.8	50.9
Machine-building complex	59.1	60.3
Chemical and timber complex	37.1	47.4
Construction complex	51.4	50.6
Agroindustrial complex	36.0	47.3
Light industry	68.1	69.8

The expansion of the volumes of operations involved in the technical retooling and redesigning of existing enterprises in machine-building would make it possible to accelerate the process of renovation at the new technical level of fixed production assets in the national economy, and in light industry would make it possible to increase production and to improve the quality and variety of consumer goods. In addition, the average annual rates of increase of capital investments for these purposes in 1986-1987 in machine-building, as compared with industry as a whole, was lower by a factor of 1.8, and in light industry, by a factor of 2.3.

The course aimed at the technical retooling and redesigning of existing enterprises contributed to the removal of obsolete and worn-out elements of fixed assets for the purpose of replacing them with up-to-date models. In the overall value of fixed production assets for the national economy as a whole, the share of the removed elements increased from 1.9 percent in 1985 to 2.6 percent in 1987, and the share of their assets part (machinery, equipment, etc.) in the machine-building complex, from 2.3 to 3.4 percent; chemical-and-timber, from 2.7 to 4.0 percent; metallurgical, from 2.0 to 2.8 percent; and fuel-and-energy, from 1.5 to 2.1 percent.

However, despite the role of the expenditures for technical retooling and redesigning, the increase in the share of those expenditures, the volume of capital investments used for those purposes, does not yet make it possible to overcome the tendency toward an increase in the degree of wear and tear of the production assets. In 1987, both for the national economy as a whole and for most of the national-economic complexes, wear and tear increased, as compared with 1985, by 1-3 points.

The expansion of the scope of technical retooling and redesigning will be promoted by the changeover of enterprises and organizations to complete cost accountability and the use, as the basic source of financing the expenditures for these purposes, of the enterprises' own funds, as has been stipulated by the USSR Law Governing the State Enterprise (Association). In 1987 the share of capital investments charged to the funds of state enterprises and organizations in the overall volume of investments used for technical retooling and redesigning was, for the national economy as a whole, 55 percent; in the fuel-and-energy complex, 74; metallurgical, 84; chemical-and-timber, 86; and machine-building complex, 89 percent. In the first half of 1988 it had already reached 73 percent for the national economy (passage omitted).

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### Restructuring of Financial, Credit Systems Discussed

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[Article by O. L. Rogova, leading scientific associate, IE [Institute of Economics], USSR Academy of Sciences, doctor of economic sciences; and L. F. Moiseyeva, senior scientific associate, candidate of economic sciences: "The Restructuring of the Financial and Monetary-Credit System"]

[Text] The change in the financial-monetary policy is one of the most important tasks that will have to be resolved in the course of the radical reform of the national economy. Moreover, the extent to which the measures undertaken in this area are economically substantiated will determine, to a considerable degree, the success in carrying out the entire economic reform.

There is a danger that a change in the financial-monetary policy can be reduced, in the final analysis, to a traditional reconsideration of the prices, which reconsideration will make it possible to achieve only a temporary state of balance, inasmuch as the economic interests of the subjects in the economy will not be affected, or may be stifled even more. The orientation toward the priority of economic interests presupposes the comprehensive approach to the resolution of the problem of commodity-monetary balancing, an approach that encourages the population and the economic links to function in a mode of economizing and the effective use of monetary funds.

The difficulty of resolving the task that has been assigned lies, in particular, in the extraordinarily complicated financial situation at the present time. The financial and monetary-credit systems, with respect to their organizational structure, their methods of functioning, and the present state of monetary circulation, credit, and the finances of the branches and the state, have become, to a definite degree, contradictory to the interests of the economic agencies and the population and to the development of principles of cost accountability in the economy, and have proven to be incapable of opposing the inflationary phenomena (rise of prices and the population's monetary reserves).

The deformation of the financial and monetary-credit systems manifested itself first of all in their nonfulfillment of their functions. The fundamental causes of this remain, despite individual changes (which are described not infrequently as radical ones).

The systems that have developed are characterized by their subordination to state principles and by the ignoring of the economic interests of the subjects in the economy. This manifests itself, in particular, in the implementing of "secret" decisions concerning the channeling of large funds to the construction of BAM (Baykal-Amur Mainline), the diversion of the northern rivers, etc. The lack of publicity when discussing the economic desirability of major decisions, and the secret way in which funds are channeled into the national economy, are a very serious violation of public interests and create favorable conditions for the inefficient use of the nation's money.

The financial and bank agencies in their activities are continuing to be in a dependent position upon the state plan, in which the planning directives are replaced by state production orders (as much as 100 percent of the output), the priority is preserved for indicators in physical terms, etc. Pressure on the part of the state planning agencies and the branch ministries and departments, as well as demands from the outlying areas, have put the financial and bank systems in the position of an apparatus for locating resources by all methods, whether possible or impossible. It must be noted that the functioning

of the methods outside the economy led to the elimination of the objective boundaries in the functioning of each of the subsystems—the financial and the monetary-credit mechanisms.

The structure of financial resources that developed is one in which their basic part is concentrated not at the level of the primary economic links, but at an upper "story" of administration (centralized funds, the funds concentrated in the budget, that are impersonal with respect to their formation and use, that is, independently of the owners' interests). Thus, whereas, with respect to the ratio to the used national income, the share of the income of the state budget—the share of the centralization of the newly created value—constituted 54.9 percent in 1970, by 1985 it had reached 68.7 percent, and by 1986, 72.8 percent. The Law Governing the State Enterprise did not introduce any considerable changes, inasmuch as, within the next few years, the proportions that had developed in the distribution of profit will apparently be preserved.

The considerable scope of the concentration, a scope that leads to the depersonalization of the resources when the budget income is being formed and to their uncompensated distribution, promoted the violation of the specific-address principle between the creation of the profit and its use. At times the enterprises receive a larger amount of state financial funds than they themselves pay into the budget. There has been an unfounded shift in the direction of financing enterprises (especially those that are of low effectiveness or that are operating at a loss) to the detriment of the social and cultural needs of society.

The excessive withdrawal of profit from the economic agencies that are operating well (in certain branches, as much as 90 percent), at a time when there is economic permissiveness toward the economic entities that are operating at a loss, leads to a situation when the labor collectives do not have any self-interest in increasing the overall volume of profit. Simultaneously the enterprises from which the financial resources are withdrawn excessively are forced to use credit not only for temporary purposes, but also to cover their constant, current production needs. Consequently, the centralization of financial resources that has developed has also put the banks in conditions of the forced granting of credit, in which some of the expenses of the economic agencies are formed by the population's accumulations that have not been supported by commodity resources.

The centralization in the financial and credit agencies of the functions of the redistribution of accumulations continues to limit the economic self-interestedness of the enterprises and the opportunities for scientific-technical development. Even under the new management conditions, the enterprises are forced to be content with the satisfying only of their current needs and have become indifferent to their technical prospects. The problem of expanded reproduction (innovational activity), practically speaking, remains outside the confines of the enterprises'



financial interests. Moreover, the introduction of the achievements of scientific-technical progress is sometimes even undesirable, since it lowers the level of the current production consumption and social development.

The "depersonalization of the payments" to the budget, irrespectively of whose money (one's own or the state's) is being deposited to the development of production, undermines the essence of economic independence—self-financing. It turns out that both the enterprise that is developing at the expense of state funds and the one that is accumulating its own resources through the limitation of its own current needs are under identical conditions when making settlements with the budget.

As a consequence of the similar "depersonalization" in the movement of state financial means for capital investments, and the transferral of the functions of the monitoring of the effectiveness of their use to a bank that has no self-interestedness in this, the state incurs tremendous losses, since it loses the opportunity to use financial methods to encourage effective production. The removal of economic and administrative responsibility from the "financial experts," which removal sometimes occurs from the moment of "distribution" and entering of the financial resources on the accounts at the bank, and also the replacement of truly finance activity by work to coordinate the resources with the planned expenses, emasculates the very essence of the financial work—the obtaining of profit on the invested money.

The oversaturation of the circulation with payment funds (as a result of the hypertrophy of the opportunities of the state redistribution mechanism with the broad use of emission) has contributed to the loss by money of its measurement properties. Under these conditions, financial planning has practically lost its value as an economic regulator of the achievement of the defined goals. The "physicalization" of the plans has become the preferential principle in the system of national-economic planning.

Consequently, the basic problem today is the real guaranteeing of financial resources for socioeconomic measures. The urgency of the resolution of this problem has currently become especially aggravated as a result of the increase of the economic agencies' need for budgetary appropriations<sup>1</sup>. The demand of the national economy for financial resources has been growing irrepressibly at the same time that there has been a reduction of the opportunities for satisfying it (decrease in the proceeds from the sale of alcoholic beverages and from import; the reduction in the effectiveness of production; the maintaining of enterprises operating at a loss; etc.).

To avoid the practice of liability financing (the adaptation of financial resources to the target planning goals; the orientation of national-economic planning to the boundlessness of the funds in the state budget, including those at the expense of the use of emission), it is necessary to

construct the developmental prospects on the basis of the state's real financial accumulations. It is precisely those accumulations that must become the limiter of the volumes (and, consequently, of the projects) of financing (target planning goals). The program for the financial improvement of the national economy must be based on the delimitation of the financial relations from the credit relations and the purely monetary ones (preventing the use of emission as a source of the economy's expenses) with the simultaneous: a) assignment to USSR Minfin [Ministry of Finance] of the duty of using state centralized funds only within the confines of the actually existing accumulations; b) the granting to it of the right to finance measures on the basis of the criterion of the effectiveness of investments, with subsequent participation in the profits.

Financial improvement is linked first of all with the understanding at all levels of administration of the need to support the financial interests of all the participants in the financial relations, including USSR Minfin as the representative of the state financial interests. The Ministry of Finance as the "owner" of state money must have precise criteria when choosing projects for financing, and must carry out a state financial approach—it must observe the state's financial interests.

It is desirable to discuss the possibility of the participation of the state budget funds in the process of production on principles based on partner relations (rather than financing the economic agencies without return or without "interest"). This will intensify the attention devoted by the state to the creation of profit and will increase the budget's role and the responsibility for the effective use of state money. It is necessary to change the procedure that has developed in state financing, which is oriented toward the "deliberate" planned effect from investments and that therefore is not aimed at actual profits, and to restructure the activity of the Minfin workers, converting them into competent financial experts who are concerned about obtaining profit from the investment of state funds.

Within the confines of the overall concept of financial improvement, there must also be a re-examination of the questions of the effective use of the labor and natural resources. Taking into consideration the increasing ecological disbalance and the ineffectiveness of the existing financial methods that have been channeled toward maintaining the labor and natural resources, it is important for the payment for natural and labor resources to guarantee the restoration of the specific resources. It is necessary in this regard to create special state financial funds to be used for specifically earmarked purposes. For example, the payment for water is not paid into the budget, but to the center for the use of water resources which bears the responsibility for their reproduction. The same thing pertains to the use of the land resources.

The center for the use of labor resources carries out a series of measures to assign the labor resources (in connection with the needs of NTP [scientific-technical progress]), to find jobs for people, to create additional jobs at the expense of the resources at the particular center (for example, by investing funds in the development of small-series production entities in areas with the intensive freeing of labor resources). The creation of funds guaranteeing the purposeful restoration of the resources having a specifically addressed, returnable nature, will make it possible to increase the effectiveness of the use of those funds and will eliminate the existing factor of the depersonalized use of resources (which factor is typical of the budgetary funds). In the future it is possible that rights will be granted to these centers to attract the population's funds to improve the use of the land, water, and labor resources in specific regions. This will guarantee the direct participation of the population in the development of the particular region.

The basic trend in restructuring at the level of centralized finance is the relative reduction of the budget's participation in the redistribution of funds and the change of the structure of its income and expenses, the orientation not so much to the search for sources to increase income (although this is not precluded), as to the change in the financing trends and to the reduction of expenses.

Thus, for purposes of reducing the demand for centralized budgetary appropriations, it is necessary to orient the enterprises toward the concentration of monetary funds (by unifying the available monetary accumulations and the special current deductions from profit) and toward the creation of so-called constituent monetary funds. This is possible within the confines of the creation of business (commercial) banks. It is necessary gradually to limit the centralized financing to projects of state importance (strategic and social), and to free the budget from the supporting of projects that represent interest to specific production complexes of local, regional, or branch (interbranch) nature; the transfer of individual projects to financing at the expense of the funds of the constituent organizations is possible. It is also desirable to reduce gradually the budget's expenses to maintain the administrative apparatus, by transferring their financing to the appropriate enterprises (departments), which will allocate funds depending upon the income received as a result of the activity of that apparatus<sup>2</sup>. In order to maintain the stability of the budget, it is necessary to create a reserve financial fund.

Questions linked with the action of the budgetary subsidy mechanism require special consideration. With the "aid" of this mechanism, there is a distortion of the real participation of the enterprises in the creation of the national income and, consequently, the entire system of commodity-monetary proportions. The reduction of the subsidies for agricultural output is possible, in particular, by means of the gradual reduction (until the final elimination) of centralized state purchases of "subsidy" output and the

expansion of the sale of agricultural produce directly to the customers. This will make it possible to have the expenses at each state of agricultural production depend upon the final prices of the sale. There must simultaneously be a gradual reduction of the state purchase and turnover prices (with the consideration of the tendency toward the reduction of expenditures and the increase in the number of profitable enterprises). The reduction of subsidies is also possible by raising the state retail prices (according to our estimates, by no more than 10-15 billion rubles) of agricultural produce within the confines of the program for introducing order into the entire price system and for putting the prices of products into conformity with the prices of commodities intended for production use. This increase in prices, to a definite degree, lies within the confines of the adaptational capabilities of the population for changing the structure of its income and apparently will not completely undermine the faith in the ruble (which is typical when there are sharp price fluctuations).

It is necessary to reduce the subsidies intended for production use by gradually switching over from the creation of state funds to the wholesale trade in the "subsidy" commodities. This will make it possible to eliminate the overstated, economically unsubstantiated demand from the economic agencies and will promote the economical, effective use of the equipment and the raw and other materials. And to limit the turnover tax on its original, that is, excise, function; the group of taxable commodities to be limited to those specific products, the reduction of the demand for which is socially necessary (alcohol, possibly gasoline in connection with the pollution of the environment, etc.).

Some people are of the opinion that the budget tension can be reduced by reducing the total amount of subsidies and transferring the compensation of the price difference to the population's income. However, this opinion cannot be deemed to be well-founded.

Subsidies are the result of the prolonged administrative limitation of direct commodity-monetary ties between producers and consumers. A radical price reform presupposes a sharp increase in retail prices (including those of a compensatory nature), while preserving the administrative mechanism of their formation and without affecting the direct ties between the producer and the consumer. This kind of reform will not be a screen to the budget's economically unfounded expenses. Moreover, it will intensify the expenditure method of price formation, will lead to an increase in wages (and all the other expenditures for the production of output), and will weaken the incentive role of the ruble. A reform with an ephemeral short-term effect of a balanced situation and a further reduction in the purchasing capability of the ruble not only will not prepare the necessary start-up conditions (to which the hypotheses concerning the carrying out of a "radical" price reform are oriented),

but also will create substantial obstacles for the implementation of self-financing and increasing the effectiveness of production. The price rise will not lead to an increase in the production of scarce food products and will not reduce the need for them, whereas the prices at the market will react correspondingly to increase the state retail prices. Thus, the reform not only will not eliminate the social injustice, but, by creating a new spiral in the increase in prices of all commodities, will thus lower the overall level of public well-being. The achievement of social justice in the conditions that have been created is impossible by methods of a price policy.

Radical changes in the budgetary mechanism presuppose the carrying out of a number of measures. For example, at the level of the primary economic links, it is necessary to carry out all measures to increase the activity rate in the accumulation by the enterprises of their own monetary funds, which will make it possible to carry out the necessary transition from the concentration of financial resources in the state budget to their formation by the enterprises themselves. It is also desirable to reduce the quotas for deductions from profit to be paid into the budget, thus providing the opportunity for the economic agencies to have their own monetary funds for current activity, redesigning, retooling, and new construction (self-financing requires specifically this kind of financial policy). In order to resolve the question of the proportions of distributing profit with a consideration of the nationwide and cost-accountability needs, it is possible to create an interdepartmental commission consisting of representatives of the bank, ministry, enterprise, financial agency, and the local soviet. The decisions will be made by the commission after the evaluation of the financial condition and the prospects of the financial improvement of the enterprise, and they will be of a recommendational nature.

The implement of actual cost accountability—the functioning within the confines of the enterprise's own (rather than external) monetary proceeds—requires the exclusion of the budgetary and bank funds from the sources to cover the unsubstantiated expenses. The economic agencies will be able to receive funds (with the strict limitation of credit to cover the expenses) in the form of commercial credit, the issuance of bonds, etc. The economic agencies that do not have any prospects for financial improvement must be reorganized with the first-priority payment of the indebtedness to the bank. In the event of nonreturn of credit by the time limit, the bank becomes a completely equal participant in production and participates in the profits on shared principles, in proportion to the invested money.

As for the population's monetary accumulations, it is necessary to change over to various voluntary, long-term investments in various forms. For example, one possible method is the sale to the public of shares from enterprises producing both commodities intended for production use and those intended for nonproduction use. Taking into consideration, however, the insufficient

level to which the public's needs are being satisfied, as well as the fact that the bulk of the accumulations is basically of a consumer nature (major deposits, as everyone knows, do not exert any pressure on current demand), one may assume that the public currently has a greater self-interestedness in acquiring shares from enterprises producing specifically consumer goods. This, obviously, does not preclude the possibility of investing funds in other production entities—with the purpose of getting a higher income.

The restructuring of the bank activity is based on a change in the monopoly status of the bank system in the sphere of credit-monetary relations, on the one hand, and its subordinate role in the entire structure of the administrative-directive management of the economy, on the other hand. In this regard it must be noted that limiting oneself to the reorganization of the existing banks and the formation of new specialized ones means reinforcing the tendency that has developed—the tendency of the liability functioning of the banks—and, most important, means switching the attention from the difficult problems to the easier ones without affecting the deeply underlying strata of the relations (in particular, the implementation of the principle of democratic centralism in the activity of the bank system).

For a long time one of the most important aspects of the activity of the bank system has remained in the shadows—the formation and supporting of the monetary interest<sup>3</sup> of the subjects entering into the credit-monetary relations with the bank system, as well as the satisfying of the cost-accountability interests of the bank apparatus itself. One cannot fail to admit that bank activity is, in essence, the implementation of a definite part of the economic or—to put it more concretely—monetary relations, the essence of which manifests itself realistically in the formation and satisfying of the interests of all the subjects entering into those relations. Therefore the approach to the bank system as being a cost-accountable agency moves into the foreground the problem of coordinating the economic interests of the economic subjects entering into relations with the banks. It is precisely in the coordination of all the monetary interests that one can see the implementation of the active role of the banks as credit centers. In this regard there arises the need to assure the monetary interests and the guaranteeing by the bank system of the stability of the money. It is important to keep in mind the fact that the guarantee of the stability of the ruble is the criterion for evaluating the functioning of the banks, and is an absolutely fundamental component part of the target goals and interests of the bank system itself. Within the confines of this approach, the decentralization of the formation and use of the savings fund seems to be logical. With respect to the formation of resources, a task that is posed is the guaranteeing that the monetary funds located in circulation and in accumulations are rigidly dependent upon the objectively necessary needs for them by each of the participants in the monetary turnover. The guaranteeing of the interests of the money-owners



requires, in particular, the creation by the banks of conditions for the accumulation of monetary means not only by the population, but also by the enterprises (for example, by the introduction of sufficiently high interest rates for keeping money in the accounts).

As for the use of resources, there arises the need to study the dependence of the granting of credit upon the "benefit" to be received for each invested ruble. It is necessary at such time to observe the economic interests of each money-owner and to take into consideration his motivations (for monetary accumulations or for production consumption for the purposes of expanding the production of the type of commodity which, in the evaluation of the money-owner, has the highest priority).

At the present time, despite the organizational restructuring of the bank system, the rigid centralization of the banks' activity in the formation of resources (liabilities) continues to be accompanied by the uncontrollable nature of assets operations with regard to the granting of credit, and this makes centralization in the formation of liabilities senseless. The credit channels for putting money into circulation (beginning with noncash money and ending with its conversion into cash) actually fall outside the bank's sphere of control. Therefore it is necessary, simultaneously with the expansion of the bank's independence and with the decentralization of the credit resources, to increase the regulating role of USSR Gosbank.

The overcoming of the contradiction—rigid centralization of one of the aspects (the liability aspect) of the banks' activity, and the uncontrollable nature of the granting of credit (assets operations)—is possible by establishing the responsibility for guaranteeing the necessary link between the assets operations and the liabilities operations at the bank level. Therefore the changeover of the banks to cost-accountability principles of activity presupposes independence in managing credit resources and in involving liabilities on the basis of the implementation of the overall credit-monetary policy (including an interest policy) that is worked out in the center. The cash-office and emission activity (including both the system of mandatory reserves and the reinforcement from the central bank) must necessarily be included among the operations of the business banks.

The specific activity of the banks must be based only on the coordination of the interests of the bank and its client. A bank that orients itself on the attainment of specific economic results must have the status of an independent business bank also when granting credit to enterprises producing output that has been ordered by the state and that is financed from the budget. The bank's partner in relations with the enterprises fulfilling assignments of a strategic nature can be either the enterprise itself that is making use of bank credit, or the department that is financing those production orders.

A necessary condition for the effective development of the bank system is independence with respect to USSR Minfin and to the planned goals of distribution in physical terms. The specialization of the bank system as an economic agency carrying out the administration of the entire credit-monetary sphere can be realized by means of the precise isolation of the areas of monetary relations that must be within the competency of the bank system and financial system, with a consideration of all the substantial differences in the functioning of money and finance. In the structure of the bank system itself, in addition, the creation of a network of banks with a flexible, mobile structure of functions depending upon the state of the demand for monetary services is also possible.

Individual banks can enter into economic relations with one another, and can form so-called bank associations. The network of banks can be nonhomogeneous with respect to their functions, the number of workers, and the economic specifics of the clientele (individual citizens; economic agencies belonging to various branches). The network of business banks must depend upon the need for their services and must not be regulated by above by administrative methods. Thus there is a change in the very concept of the centralization of the bank system—the banks themselves can unite voluntarily in order to coordinate their actions, to exchange information, to coordinate individual matters of credit-monetary tactics, and to form jointly the prospects of monetary strategy.

#### Footnotes

1. As a consequence of the increase in the scope of technical retooling and the practical invariability of the withdrawal of profit for payment into centralized funds.
2. In the event that the activity of the departments is not needed by other organizations or by the public, they can be disbanded. In this regard, for example, an alternative is possible—not of the ministry as a state apparatus standing over the producer of the output, but of the representation of the enterprises.
3. Incidentally, the concept "monetary interests" has gradually dropped out of the lexicon of economists.

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### REGIONAL DEVELOPMENT

**Issue of Ownership Under ESSR Economic Sovereignty Addressed**  
*18200108 Tallinn SOVETSKAYA ESTONIYA*  
*in Russian 24 Nov 88 p 4*

[Article by Uno Mereste, professor at the Tallinn Polytechnical Institute, doctor of Economic Sciences: "The Constitutional Amendments Pertaining to Republic Property"; first four paragraphs are SOVETSKAYA ESTONIYA introduction]

[Text] The workers of some central union institutes and other people, having become accustomed to many decades of thinking in the spirit of overcentralization,

are asking mainly two questions, pertaining to the constitutional amendments adopted by the ESSR Supreme Soviet on 16 November, with the subject being the property of the republic:

1. Are they justified with respect to other union republics, since the buildings, enterprises and structures built on the territory of the Estonian SSR, through all-union sums, are the result of the work and peoples of other union republics (i.e., all the rest of the Soviet Union)?

2. Should not the Estonian SSR now compensate the other union republics (i.e., all the rest of the Soviet Union) for the cost of the objects erected on the territory of the Estonian SSR for all the years of the Soviet Regime?

Uno Mereste, professor at the Tallinn Polytechnical Institute, doctor of Economic Sciences, answers these questions.

Both these questions have emphasized the emotional coloring and have presented an idea that is basically incorrect. They can be answered only in the negative:

1. The amendments to the Constitution of the Estonian SSR do not affect the interests of either the entire Soviet Union nor of any of the union republics as subjects of property;

2. The requirements for payment or paying out compensation are in no way substantiated, nor can they be substantiated.

These negative replies are based on reasoning, in which the methodological and economical aspects can be singled out.

From the standpoint of methodology, the question posed is incorrect in the sense that the very posing of the question contains a concealed (i.e., not directly expressed) proposal, as if the Estonian SSR, by its constitutional amendments, were singling itself out from the rest of the Soviet Union. Hence, the statement of a need to answer certain questions of the property interrelations between the Estonian SSR and the USSR. This erroneous idea, based on the fact that the amendments to the ESSR Constitution were read not as they were conceived and formulated, but as they appeared in the heat of the emotional unwillingness to understand them.

In reality, the matter is quite different. The population of the Estonian SSR (i.e., all the people living in the Estonian SSR, regardless of their nationality), as the common property owner of the fixed productive capital or subject of property, is not distinguished from the people of the entire Soviet Union as the subject of property, and will form, in the future, one of its parts, just as before. Just as the people (population) of the entire Soviet Union consists of peoples (population) of all the union republics, so does the property of the entire

Soviet Union, in the form of the aggregate of specific property, consist of the properties of its union republics. In other words: the property of all union republics, including the property of the Estonian SSR, will also in the future be included in the common property of all the Soviet people. Consequently, not a single subject of property is removed from the range of state or national relations of the property of the entire Soviet Union as the result of adopting these constitutional amendments. Nor from any person: nothing has been withdrawn from the entire Soviet Union nor from a single union republic. This means, there is no one who would have the right to demand any sort of compensation or, to whom such compensation could be paid!

For a correct understanding of the latter conclusion, it is important to bear in mind that only peoples of the entire Soviet Union or union republics can come forth as property owners or subjects of state (all-nation) property. The ministries and departments are not property owners or subjects of property with respect to state (all-nation) property. In order to point out the error of the widespread opposed opinion, M.S. Gorbachev deemed it necessary, in his report at the 27th CPSU Congress, to emphasize that the ministries and other central institutions and territorial organs are not property owners of the means of production, but only the institutes of state administration, answering to society for the efficient use of national property. Many central union institutions should return the enterprises formerly under their jurisdiction (which are mistakenly considered to be their property) to republic jurisdiction, but to interpret this as an act proposing compensation of the cost of these enterprises and of other properties to the central union institutes is completely illegal and scientifically-methodologically groundless.

The idea of the constitutional amendments adopted in the Estonian SSR is not to make a quantitative change in relations of the property; their idea lies elsewhere—in specifying the relations of property, existing today, but which in many ways have become uncertain, and in creating, by means of this, the material and legal prerequisites necessary to restore and develop the collegium-like sense of an owner. This specification of property relationships is fully in accord with the aims and spirit of restructuring, particularly since it flows directly from the need to update. This is an essential step along the path to eliminating a super-centralistic administrative system leading the economic system to the brink of a full breakdown, and to making the transition to territorial economic accounting. Not a single enterprise—plant or kolkhoz—can be cost-accounting, unless it possesses in full measure the rights of an owner over its means of production and other property. It would be unthinkable in full republic cost accounting if almost all the property of the republic belonged to different central institutions located outside its borders.

From the economic standpoint, the question of reimbursing the cost of all the property (enterprises, buildings, etc.) located on the territory of the Estonian SSR

and so far within the jurisdiction of the all-union organs, would be justified only if it could be affirmed that:

a) All the capital investments in the Estonian SSR were produced only through a national income produced not in the Estonian SSR, but outside its boundaries;

b) The population of the Estonian SSR has not taken part in financing the capital investments for any other USSR territories.

Neither of these statements corresponds to reality. It is thus unequivocally determined that the conclusions based on them are incorrect.

In reality, we know that, according to the existing financial rules, all union centralized funds for capital investments are formed from the sums of revenues from the union republics coming in through various channels. Part of the national income produced by the population of the Estonian SSR has been constantly entering the all-union centralized funds. Therefore, in all the capital investments which have in general been implemented on the entire territory of the Soviet Union, there is also a known portion of the national income created in Estonia (including major construction objects, nuclear power facilities and space programs, which are not located in Estonia).

Sums from various republics enter the all-union funds destined for capital investments. The higher the labor productivity, and the greater the proportion of the national income produced per capita, the higher the sums. In the Estonian SSR labor productivity and the proportion of the national income per capita exceeded the average figures for the country. This means that the proportion of each inhabitant of the Estonian SSR in all the capital investments in the USSR is scarcely larger than the contribution of each person to the growth of the general well-being in the USSR per country on the average.

If the question is now posed as to the compensation which the people of the Estonian SSR should pay to other republics (i.e., to the entire Soviet Union), for a complete and balanced solution to the problem, the question should also be posed of compensation from the other union republics (i.e., the entire Soviet Union) to the Estonian SSR. The problem would appear to be very complex and difficult to solve. After the labor-intensive fulfillment of the calculation, it would be revealed, however, that the "compensation sums" are approximately equal.

For this, among other things, indication should also be made of the ratio between the relative proportion of the Estonian SSR and the size of the population of the Soviet Union and the national wealth. At the end of 1985 the population of the Estonian SSR comprised approximately 0.6 percent of the population of the USSR and all the national wealth of Estonia—approximately 0.7 percent of the national wealth of the USSR, in which the cost of the earth, underground regions and forests was not counted. If you deduct the home (personal) property of the citizens,

which in the Estonian SSR is slightly greater than the average for the country, the national wealth of Estonia constitutes approximately the same proportion of the national wealth as that of all the Soviet people, as the proportion of the population of Estonia in the population of the USSR. The equality of the relative proportion of the population and the national wealth after a very long period, in the course of which, by calculation, the Estonian SSR per capita gave larger sums to the all-union funds than on the average for the country, proves that the proportion, created by the efforts of the population of the Estonian SSR, of the national wealth of the other republics is in no way insignificant. None of this has been said in order to propose seriously that such precise calculations be made and the appropriate compensation be required. This, in our opinion, would be not only unworthy, but also useless, particularly in the present situation, when the goal has been set to do everything, after Estonia's transition to full cost accounting, to support to the utmost and make efficient the economic ties with the fraternal republics. The discussions presented above serve only, for example, to show that even if payment of compensations is considered as a matter necessary in principle, all the activity in this direction proves to be senseless in practice.

From the historical-economic standpoint, incidentally, one must not pass over the fact that the overwhelming majority of specific objects which, according to the constitutional amendments, are to be returned to the property of the Estonian SSR until they fall under all-union jurisdiction, have been included in the national economy of Estonia as either state property or the property of its citizens. No compensations will be paid to anyone when these enterprises are transferred to union jurisdiction. It is completely inexplicable why now, in the transition from a super-centralized administration to normal cost accounting, it is necessary to pay the union departments compensation for these very objects.

To sum up what has been said, one can state with certainty: the aim of the constitutional amendment pertaining to the property of the Estonian SSR is to prepare for the republic's transition to full cost accounting, which will make it possible to increase the efficiency of national production and increase the contribution of the Estonian SSR to the economic system of the entire Soviet Union and thereby meet the interests of the entire Soviet Union and all of its peoples.

#### **UkSSR Gosplan Chief Interviewed on State of the Economy**

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[Interview with V. P. Fokin, deputy chairman of the Ukrainian SSR Council of Ministers and chairman of UkSSR Gosplan, by L. Dayen, head of the Industry and Transportation Department of the newspaper RADYANSKA UKRAYINA: "Economic Reform: Decisive Opportunity"; first four paragraphs are RADYANSKA UKRAYINA introduction]

[Text] My appointment with the chairman of Gosplan [State Planning Committee] was for four o'clock. A few minutes before four I was informed by the office administrator: "Tomorrow Vitold Pavlovych is going away on



urgent official business. He has therefore gathered his deputies to discuss several urgent matters. It is unlikely that the meeting will end soon." I could not help but think to myself: "I wonder how things are with punctuality in the realm of precise figures and plans? They say that punctuality is the courtesy of kings. But what about chairmen of Gosplan?"

Precisely at 4 p.m., right on the dot, I was ushered into V. P. Fokin's office. The window of his spacious office, on the fifth floor of the familiar building housing the Ukrainian SSR Council of Ministers, offered an expansive panoramic late-afternoon view of the Khreshchatyk and nearby streets and squares. Vitold Pavlovych was not behind his desk. He was seated at the far end of a conference table along the right wall of the office. Top officials of Gosplan were seated along both sides of the table.

"I apologize," the chairman said. "In order not to waste time, why don't you acquaint yourself with these materials while I finish talking with my colleagues? The materials will be useful for the interview."

Soon he was ready for the interview. Active, energetic, and rather young looking, in spite of his 56 years and close-cropped gray hair, Vitold Pavlovych spoke in a measured and at the same time impassioned manner, with inner conviction, about restructuring of the economy. He stressed that right now, as never before, when the changeover of all branches of societal production to full economic accountability and self-financing is in the final stage, what is needed is thorough analysis and attention toward "problem spots," constructive conclusions and action without delay, for the dialectics of the new mechanism of economic management demand contemporary economic thinking and scientific substantiation of approaches to management. Our interview began from this point of departure.

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[Dayen:] Vitold Pavlovych! You have just returned from Moscow, from the session of the USSR Supreme Soviet. A session of the Ukrainian SSR Supreme Soviet was held prior to this, at which you submitted a report. The economic and social development plans for the fourth year of the five-year plan have been ratified. The readers of RADYANSKA UKRAYINA as well as all working people have read in the newspapers the basic figures and priority areas in which we are to make progress in 1989. Therefore there is of course no need in this interview to enumerate social and economic goals. We would like to discuss the following current problem. As we know, as of 1 January all enterprises are changing over to operations according to the principle of full economic accountability and self-financing. Are all workforces ready for this? After all, there are 1,300 enterprises in this republic which are operating at a loss. That is 4 percent of the

total number of enterprises. What kind of possibilities do you see here? What is to be done with those enterprises which do not operate at a profit?

[Fokin] That is an important question. But first of all I should like to say a few words about the very fact of the possibility of existence of enterprises which are planned to operate at a loss in conditions of full economic accountability and self-financing. I must state that with state control and regulation of the economy this is an entirely realistic phenomenon. Even in those countries where there is extremely little government interference in entrepreneurial activity, a large number of companies and even branches operate with government subsidies. These include, for example, the coal industry, the railroads, a number of shipbuilding companies, and public utilities. Perhaps not everybody is aware of this, but it is a fact: the U.S. federal finance system gives considerable assistance to a great many farm operations.

Naturally we too will continue to have for a certain period of time enterprises which operate at a loss. But I emphasize: only for a certain period of time! I shall quote the following figures to provide a fuller picture of the situation. In agriculture we have 260 farm operations operating at a loss. But they generate 2.5 billion rubles in output. On many farms individual operations are unprofitable. For example, beef is being produced at a loss by 3,300 kolkhozes, or 45 percent of the total number; 5,200 kolkhozes are producing pork at a loss (80 percent), and 3,600 are producing vegetables at a loss (52 percent). Well, should such farms be put out of operation? Obviously that is out of the question. Such situations are encountered not only in agriculture. The coal industry, urban electric transit, and certain other branches are also operating at a loss.

What should we do? The state must pay them subsidies. This should be done, however, in strictly specified amounts and only, I repeat, only for a certain period of time, in the course of which the workforces in question must substantially boost their labor efficiency. Otherwise attitudes of total economic dependence on others will be encouraged. We cannot permit those who do a poor job of management to live with complete unconcern at the expense of vanguard workforces. That is a violation of the sacred principles of economic accountability. At a conference in Orel Oblast they cited examples of sharp decrease in the cost of producing agricultural goods upon changing over to lease-agreement forms of organization of labor.

The main thing is to ensure that money given as subsidy does not become a permanent source of unearned pay. Elimination of unprofitable operations is one of the primary conditions for restoring financial health to the economy. For this reason a large number of measures are

to be taken in this republic to resolve this problem. In conditions of the economic reform, by the end of the current five-year plan a large percentage of losing enterprises are to cover their debts. This will make it possible additionally to increase the republic's financial resources by 380 million rubles.

[Dayen] This would be a substantial step forward. I recently came across the following figure: this country's state budget deficit is running 36 billion rubles. This is almost 6 percent of national income. Certainly a large deficit has also been run up in our republic. That 380 million rubles must be considered in this light. In any case, how is this 380 million rubles to be generated?

[Fokin] The means are well known. The main thing is to mobilize them. We must increase output and decrease production costs, get production facilities into production in an efficient manner, and reduce nonproductive outlays.

The answer would be incomplete if I failed to stress the following. A number of bankrupt enterprises are wrong in expecting just to go on begging funds: the state's coffers are not bottomless. Economic accountability is that litmus paper which shows who is capable and who is not. It is not beyond the realm of possibility that some hopelessly bankrupt enterprises will be turned over to their workforces on a lease arrangement. But it is most probable that they will be made separate subdivisions which will be component parts of vanguard plants, factories, and associations.

[Dayen] Today democratization and glasnost are being increasingly more vigorously implemented, new methods of economic management are being adopted, and the mechanism of economic management is being improved. The editors' mail, however, indicates that a number of ministries and government agencies are all too slowly and reluctantly giving up administrative fiat forms of economic management. The readers are asking when there will finally be put an end to ministerial dictate, when workforces will be given genuine economic independence, and when will their productive initiative be unleashed?

[Fokin] Do you think that only the ministries have become accustomed to governance by administrative fiat? That is not a very objective view. Precisely such forms of administration and management prevailed in all domains of our society until recently. I personally would not make the ministries into scapegoats. Among enterprise managers there are many who cannot conceive of anything but being controlled and directed. They do not yet know what to do with the independence which has been given them. Particularly in conditions of an overall deficit and lack of a goods-filled wholesale market. Events must be nudged along in such a manner as not to compromise the very idea of economic independence.

One should not forget the fact that our branch ministries were formed in conditions of administrative control of the economy. This affected the style and character of their activities. Today, however, in conditions of restructuring, it is necessary more fully to master contemporary art of management and to master economic work methods. In the future individual ministries are to become transformed into large branch and territorial concerns which will assist their enterprises in adopting results of research and development, advanced technologies, and will help in establishing contacts for obtaining raw materials and marketing their products. Under these circumstances there will be neither ministerial nor any other dictate, which is of such concern to your readers.

[Dayen] The managers of many plants and production associations complain that presently production capacities are frequently fully encumbered by state contract orders. It ties the hands and feet of workforces and prevents them from any economic maneuver. How will direct contractual relations between enterprises and their subcontractors develop in the coming year? What role will wholesale trade in means of production play in development of the economy?

[Fokin] It is true that this year, prior to issuance of the Provisional Regulations on the Manner and Procedure of Forming State Contract Orders for 1989 and 1990, the state contract order represented for some enterprises—and there are quite a few of these—100 percent of their production capacity. I would note, however, that it is primarily "monopolists," so to speak, in the manufacture and supply of a certain product which is virtually indispensable in the economy, which are complaining about this. In particular, at ferrous metallurgical enterprises state contract orders for delivery of finished rolled products, pipe and tube comprise 96 percent of the total. In the machine building industry contract orders also cover almost the entire production capacity for certain product items.

What can we expect in the future? Unfortunately, in connection with insufficient development of wholesale trade, this situation will continue in the coming year for certain products. This applies in particular to production of coal, oil, natural gas, manufacture of gasoline, paper, etc.

But a new and promising phenomenon will become increasingly stronger in our economic affairs—wholesale trade in means of production, the scope of which will steadily increase. Next year, for example, it will double. And by the end of the five-year plan wholesale trade will encompass almost 60 percent of all distributed product.

The state contract order for supply of industrial goods will correspondingly diminish in scope.

Suffice it to say that its percentage share of total output of republic-subordination industry will decline to 19 percent. This will mean that workforces themselves will

specify a substantial portion of enterprises' production schedules on the basis of contractual relations with subcontracting enterprises and marketing organizations of UkSSR Gosnab.

Typically, the percentage share of the majority of industrial goods covered by UkSSR Council of Ministers state contract order will range from 50 to 70 percent of the total production.

I should emphasize that there will also be exceptions to this rule, in the fuel and energy branches as well as in noncomestible consumer goods. A state procurement order is established for their total output.

This of course requires explanation. We shall begin with the rudiments. Throughout the world it is considered prestigious to receive an order for goods from the state, for such procurement contracts cover production costs, raw materials, and guarantee sale of the goods. This fact was also grasped by the workforces of many enterprises, which endeavor to obtain state contract orders for all their required raw materials and equipment but make every effort to avoid a state contract order involving their performance of services or supply of goods from their own production. This is the "artful credo" which is being followed. For this reason state procurement orders are placed as a rule for certain products, especially noncomestible consumer goods, for in this case the state procurement order defends the interests of the consumers against dictate by latter-day "monopolists." Let us take, for example, the "eroding away" of inexpensive goods in light industry. Some zealous managers, claiming "concerns" about workforce profits, decided to achieve this goal in the easiest way—by the manufacture of expensive goods. This is a dangerous trend, which essentially means distortion of the principles of the socialist economy. This is why the Ministry of Light Industry establishes product mix and maximum prices on goods manufacture, taking into account population age groups—for children, young people, and the elderly. These enterprises are to be compensated for loss of profit.

[Dayen] Year after year our plans are traditionally drawn up according to the principle "upward from the achieved level." Our movement forward is seen only as picking up the pace, increasing "rpm." But is such a fixation on percentages always warranted? We brag about the fact that we produce more tractors and steel than any other country in the world. But today do these "records" really determine success? While possessing great numbers of tractors and combines, we purchase grain abroad. While increasing metals production, we have a metals shortage. Obviously different approaches are needed today. For example, perhaps in place of two substandard tractors it would make sense to build one highly-efficient tractor. And that one tractor would consume less metal, less electricity, and less human labor. Certainly we have not entirely rejected the heavy-spending emphasis in production: "The more we spend, the better it is."

[Fokin] Forgive me, but such a formulation of the matter requires comment. First of all, just what is "planning on the basis of achieved level?" As we know, in the latter half of the 20th century mankind has begun the conquest of space, has developed intelligent computers, is on the threshold of producing superconductive materials, etc. Why did this not happen, for example, in the mid-18th or mid-19th century? There certainly was lacking this very "attained" level of advance of science and technology, and there was no "base." The same applies to planning. The primary point of departure will always be the achieved level of development of the economy. It can be no other way. But the point is how the requisite structure of production should be planned and scheduled on the basis of the currently attained level. A number of problems arise at this point.

Historically things developed as follows: in connection with industrialization, and subsequently postwar rebuilding of our nation's economy, we had to build up at an accelerated pace the production of coal, production of pig iron and steel, primary raw materials, and machine building. I am sure you recall that the law of priority growth of production of means of production in comparison with growth of production of the objects of consumption was substantiated and validated in the political economy of socialism. It is true that the validity of this law is presently being reexamined.

We would not be realists if in conditions of revolutionary restructuring of our societal affairs we based our positions on stereotypes of economic thinking and obsolete doctrines of economic planning. On the contrary, a strategy of acceleration presupposes first and foremost a social directional thrust of economic plans.

I must once again apologize, however: one should not go from one extreme to another. Without development of the base branches, without a modern heavy industry—I shall use military terminology—our attack on the social front could bog down.

Increase in the average annual rate of growth of national income and productivity of societal labor is to be achieved with the balanced development of all spheres of societal production, through its comprehensive intensification. Today we are measuring the dynamics of our labor advance not only by quantity of production but also by savings in expenditure of labor, materials, fuel, and energy.

Now we come to the question of metals. At this republic's ferrous metallurgical enterprises the targeted rate of production is higher for finished rolled product than for pig iron and steel. And the volume of economical metal products will increase more rapidly than that of finished rolled product.

Naturally nobody is going to deny that it would be better to produce one highly-efficient tractor in place of two substandard tractors. Is this supposed to take place in the



near future? In coming years the design engineers at the Kharkov Tractor Plant will complete design modernization and will put into production the improved T-151 wheeled field tractor in place of the presently-manufactured T-150K. The new tractor requires less metal to manufacture, and its productivity will be more than 33 percent higher. Working conditions will also be considerably improved for the tractor operator.

At the same time you are absolutely correct: the stereotype of economic management thinking which developed on the foundation of excessive emphasis on percentages has not yet been totally eliminated.

How are we in conditions of reform to transition to a mechanism of economic management which is contrary to an emphasis on brute-force spending? There is only one way—changeover to predominantly economical methods of management and adoption of a different model of economic accountability.

[Dayen] Work is in progress in this republic to improve the overall scheme of management of the economy and to adopt a two-element system. Our newspaper's readers have greeted with approval measures to cut back on administrative personnel. Could you discuss in greater detail precisely how the organizational structure of management has changed? How many personnel have been cut in the ministries and agencies? What kind of restructuring has been performed within Gosplan and other of the republic's economic agencies? To what extent does the new structure of management correspond to the requirements and tasks of restructuring processes in the economy? At the same time our readers, and particularly our correspondent O. Tsykalyuk from Ulyanovka, Kirovograd Oblast, are concerned by the following question: will restructuring of agencies of administration and management not boil down to shifting administrative personnel from one office to another?

[Fokin] The master plan for management of the economy of the Ukrainian SSR encompasses all levels—from the UkSSR Council of Ministers to the rayon (city) executive committee, from ministry to enterprise. Restructuring of organizational structures is not an end in itself. The higher levels of administration and management have been refocused toward more thorough elaboration of key, future, combined problems and the general strategy of economic and social development.

The functions of the republic's economic agencies are being substantially broadened toward this end. Suffice it to say that approximately 50 important functional tasks which were previously handled by national-level agencies are being transferred over just to UkSSR Gosplan and the UkSSR Ministry of Finance.

The new organizational structure of UkSSR Gosplan is focused on eliminating narrow branch limitedness in the operations of the majority of departments. At the same

time the role of the combined and functional subdivisions is being increased. Seven complexes are to be formed, in which 29 interlinked, for the most part combined and functional departments will be grouped, in comparison with the 38 previously operating in Gosplan. Staff size will be reduced by 267 persons.

[Dayen] Please name these seven complexes.

[Fokin] Here they are: consolidated economic planning and social development; scientific and technological advance and machine building; consumer goods and services; material resources; construction; automated management systems; development of heavy industry branches.

I should state that the administrative staffs of ministries and agencies will be freed to a maximum degree from the functions of day-to-day economic management. A number of republic ministries and agencies which administer similar branches have been consolidated. Eight ministries have been eliminated in the process. In addition, 450 independent structural subdivisions in the ministries' central administrative offices have been eliminated. 54 positions of minister, heads of agencies and their deputies have been eliminated.

Administrative schemes have also been approved and are being adopted for 25 oblast executive committees as well as the Kiev and Sevastopol city executive committees. In addition to this, the structure of national-jurisdiction administrative agencies located in this republic is being streamlined, and their administrative staff is being cut by 20 percent.

Implementation of all measures prescribed by the master plan will make it possible to reduce the total number of administrative staff by 89,300 persons throughout the republic as a whole.

As you can see, considerable work is being done. It is in conformity with the requirements of the new mechanism of economic management. Here and there, however, one still encounters instances of a lip-service approach, changing names and titles without a radical restructuring. For example, it became necessary to make adjustments in the process of establishing state production associations in the area of coal production. Why was this necessary? Because the result would actually have been a shifting of administrative personnel from one office to another, a situation mentioned by your readers.

At the same time the processes of democratization of all aspects of societal affairs, broadening of autonomous management, and the transition to economic accountability not only at the level of the branches but also within territories, focuses us on proceeding in a practical direction rather than simply following a scheme. Therefore the present stage of reworking organizational structures should be viewed as a preparatory phase for entry into the 13th Five-Year Plan.

[Dayen] Among our economy's priority areas, machine building has the highest priority. Its rate of development is considerably greater than that of other branches. But gross, quantitative indices are no longer satisfactory today. We would like to know the degree to which our machinery and instruments are competitive in the world market. What percent meet the highest standards and are sold abroad? Does this provide us with much hard currency for retooling various branches and sectors of the economy? How are those workforces which, although fulfilling and overfulfilling their plans, are producing goods which represent yesterday's technology, going to feel in conditions of self-financing?

[Fokin] We know how much we have lost on the way from concept to prototype model, let alone series production. Things have changed in this area. Since the beginning of the five-year plan the process of bringing improved machinery and equipment into production has sped up by almost 50 percent. Obsolete goods are taken out of production as the scale of development of new-generation equipment broadens. I might cite two important figures: product updating and replacement has recently increased by almost a factor of four. Two thirds of production in the most important product categories meet world technological standards.

[Dayen] Could you cite a few examples?

[Fokin] Of course. The Sumy Scientific-Production Association imeni Frunze was the first in the country to commence production of automated turbocompressor units using microprocessor technology. Zaporozhtransformator put into production the world's first 750 kilovolt 3.4 megajoule single-phase line transformers for 1.5 million kilovolt DC power transmission lines, plus others.

Hundreds of millions of rubles worth of machinery, equipment and instruments have been shipped to foreign firms and enterprises since the beginning of this year. Practically half of this republic's machine building enterprises are exporting their products. But there is no basis for rejoicing. Unfortunately, export shipments do not exceed 5 percent of total machine building production.

This of course is too small a percentage. But we should also note the following circumstance. Until recently the volume of export shipments was determined by national-level agencies and has been determined not only by the technological level of goods but by other factors as well: requirements of the domestic market, existence of long-term economic relations, political motives, etc.

Expanding the independence of enterprises, including entry into foreign markets, as well as the establishment of joint ventures with foreign partners, will make it possible substantially to increase export volume in the near future.

[Dayen] What kind of revenues are being generated by machinery exports, and how are these revenues being utilized?

[Fokin] Export earnings for the first three quarters total tens of millions of rubles in hard currency. Approximately 40 percent of these earnings remain at the disposal of the enterprises. Of course this volume of foreign hard currency is not yet exerting substantial influence on retooling machine building enterprises.

As for enterprises which are turning out goods representing yesterday's technology, I shall cite the following example. Production of obsolete plow models cost the Odessagruntomash Production Association 9 million rubles in profits last year.

[Dayen] Every day readers write letters of complaint to the newspaper about the variety and quality of consumer goods, and not without reason. It is no secret that, unfortunately, the counters of our stores do not display much variety. Recently I visited a number of socialist countries, as well as Austria and the Federal Republic of Germany. The selection of goods in those countries is incomparably greater than in this country. This applies particularly to products of the electronics, computer, and radio products industries. What is the problem? After all, we are capable of building first-class spacecraft. Nor does our republic look so good in comparison with some of the other union republics. Last year Estonia produced 2,510 rubles worth of consumer goods per capita, Latvia—2,442, Lithuania—2,021, and Belorussia—1,654, while the figure for the Ukraine was only 1,200 rubles. Is this not the reason why ordinary pantyhose have disappeared from the shelves? Our female readers are asking when pantyhose are going to reappear in the stores.

[Fokin] First of all, why is it that we produce less goods per capita than some of the other union republics? In the first place, during the prewar five-year plans the structure of industrial production in this republic was formed on the basis of available natural resources. This dictated priority development in our country's integrated economic complex of such industries as coal, iron and steel, heavy machine building and electrical equipment. Up to 40 percent of labor resources are employed in these industries.

As a result of the high level of concentration of heavy industry enterprises in the Ukrainian SSR, today possibilities of establishing new production capacity are virtually exhausted, for land, water, and other resources are not infinite. And it is also for these reasons that capital spending on boosting consumer goods production was limited in past years.

Secondly, the figures we have cited on production of consumer goods do not indicate the level of actual provision of consumer goods to the working people of a given republic. The fact is that according to the procedure applied in this country, goods to be sold to the

public are allocated in a centralized fashion by the USSR Ministry of Trade. A percentage of goods is brought into the republic, and a percentage of goods is exported out to other republics. Automobiles, clocks and watches, cotton, woolen, and silk textiles, knitwear, cameras and photographic equipment and supplies are brought into the Ukraine from elsewhere. We supply our neighbors with china and earthenware, radios, tape recorders, TV sets, motorcycles, wearing apparel, shoes, etc.

We have an overall positive balance in circulation of goods.

As for pantyhose and other items, I shall begin by stating that in the next two years, pursuant to a government edict, 61 light industry enterprises in this republic are to be upgraded and retooled, and on the basis of imported equipment. This will make it possible to increase by hundreds of millions of rubles the manufacture of urgently-needed goods. This constitutes a substantial reserve potential. This also applies to pantyhose. I am happy to inform the buying public that while 77 million pair of product items of this category were manufactured in 1985, including 24.7 million pair of ladies' hosiery, the corresponding figures for this year will be 103.7 and 42.6 million pair respectively, and 134.9 and 71.8 million pair respectively next year. Unfortunately, however, this will only reduce the shortage in part, for at the same time there will be an appreciable cutback in import of goods of this category. At the beginning of the 13th Five-Year Plan construction will be completed on a hosiery factory in Novodnestrovsk, in Bukovina. After this factory goes into production, manufacture of tights, pantyhose, and related hosiery items in this republic will increase to 230 million pair. The problem will be solved.

[Dayen] It would seem that a potential shortage is not predicted in advance but that corrective steps are taken on a last-minute rush basis. Incidentally, while discussions of pantyhose were in progress, television sets, particularly the Elektron brand, disappeared from store shelves.

[Fokin] That is true. There are several reasons for this. First of all, in connection with the future price reform, all kinds of rumors are circulating which tend to make people buy consumer durables, especially television sets, refrigerators, and certain other appliances. Secondly, the Lvov Elektron Association is presently failing to meet its targeted production figures. In some measure this is also connected with interruption of shipments from Nagornyy Karabakh. But at this point I would like to state that the Televizor integrated program is currently being implemented in this republic. It calls for designing and putting into regular production future models of color TV sets and electronics industry components for these sets. According to the plan for next year, 30 percent of Elektrons will be new-model sets. And in the 13th Five-Year Plan there is to be a complete transition to manufacture of fourth-generation TV sets. There will be

a continuing joint venture with the Japanese company Toshiba for the design and manufacture of better and more sophisticated TV sets.

There will also be expanded manufacture of other sophisticated consumer electronic goods. I would imagine that the following bit of news will be of interest to many readers. New, modern dual- and single-cassette tape players, component tape decks, portable cassette tape recorders, etc will be appearing on store shelves. The Kiev Kommunist Association will be manufacturing VCRs by the end of the five-year plan.

[Dayen] Well, that is certainly interesting news. My fellow journalists would be particularly pleased to see the manufacture of portable dictating equipment. As you see, Vitold Pavlovych, I am taking down this interview not using modern devices but using the traditional pen and ink method, taking up additional time from the chairman of Gosplan. Since we are talking about consumer goods, I should like to address the point that inefficient quantity and inadequate quality of consumer goods adversely affects goods turnover targets. This in turn causes banks to delay the release of payroll. In such cases, as we know, additional money is printed. Academician L. I. Abalkin, making reference to estimates made by experts in this field, notes that nationwide 70-80 billion rubles are not backed up by goods and that the economy is simply being "pumped up" with paper money. To what extent will the situation change in connection with increasing the sale of alcoholic beverages?

[Fokin] To begin with, nine tenths of all cash flowing into the banks consists of commercial sales receipts. And yet for well-known reasons sales turnover plan targets in this republic have not been met during the last several years. How are people to be paid wages, pensions, and cash assistance? It has been necessary to put additional money into circulation by increasing the money supply. This also occurred in the first half of this year. But the situation has been corrected. The 10-month target for trade turnover has been surpassed by 75 million rubles. As a result the number of instances where banks have delayed the issuing of payroll has decreased by a factor of five.

I should also like to add that one factor in improving the state of affairs regarding settlement of accounts with working people is that, at the request of the republic government, effective 1 September the board of the USSR Gosbank increased Ukrbank's cash-on-hand limit and also gave permission for internal republic regulation of bank cash resources. The practice of paying wages and salaries through offices of the USSR Savings Bank is also increasing in this republic. However, above-target production and sale of goods and better servicing of the public by trade organizations continue to remain the principal source of improving monetary circulation. Incidentally, this is also specified in the republic plan for 1989. Efforts have been made to find possibilities for



increasing consumer goods production by 3.9 billion rubles over five-year plan figures, as well as an increase of 960 million rubles in volume of purchased consumer services, and an increase of 720 million rubles in retail sales.

As for expanding sale of alcoholic beverages, in October the republic retail sales target was surpassed by 155 million rubles. But plan overfulfillment was only 3 million rubles in sale of alcoholic beverages. The alcoholic beverages share of retail sales in October did not exceed 10 percent. Expanded sales of alcoholic beverages has resulted in shorter lines.

[Dayen] Problems of ecology may comprise the most frequently-addressed topic in the editors' mail at the present time. Millions of people are concerned by these serious, critical matters. We have recently received letters dealing with ecological matters from D. Dzvin'yak, from the village of Vrublivtsi, Khmel'nitskiy Oblast, from Z. Gotsmanov, L. Babych, V. Sharchuk, N. Kyrilyuk, S. Matsyuk and other medical workers in Ostrozhskiy Rayon, Rovno Oblast (this letter bore a total of 400 signatures), and others. What should the newspaper reply to these people? Readers are particularly disturbed by the question of why, in spite of adverse seismic conditions, construction is continuing on the Crimean Nuclear Power Station. Has public opinion been considered in whether or not to build the Chigirin Nuclear Power Station?

[Fokin] More than at any time in the past, special attention has been focused on problems of ecology in the plan for the coming year. The plan calls for substantially reducing pollution of bodies of water with industrial effluents and polluting emissions into the atmosphere. The plan calls for an aggregate of measures to combat soil erosion and in the area of protection and recovery of flora and fauna. In addition, planning bodies seek to create an economic mechanism which would rigidly focus managers of plants, factories, and farms toward preserving a clean environment and toward reasonable and rational use of natural resources.

As regards the Crimean Nuclear Power Station, a competent government commission headed by Academician Ye. P. Velikhov has been formed to make a thorough study of the circumstances connected with this problem. The commission is presently at work. Final conclusions will be formulated after the commission completes its study. As for the Chigirin Nuclear Power Station, the republic government's firm position and the aggressive, uncompromising position taken by the general public have forced the USSR Ministry of Atomic Power to halt preparatory work on construction of this power station.

[Dayen] The problem of distribution of productive resources in this republic applies directly to this issue. What can you tell us about principles and future prospects in this matter?

[Fokin] This work is of a long-term nature. In particular, it is being carried out on the basis of the general plan of development and distribution of productive resources of the Ukrainian SSR and its oblasts covering a 15-year period. Right now plans are being drawn up covering the period up to the year 2005. We have already discussed today's extremely limited labor and natural resources in this republic. In connection with this, new construction is being limited and existing production facilities are being expanded. This applies in particular to nuclear power, the chemical industry, petrochemicals, and the microbiological industry. I should also add that ferrous metallurgical output will decrease by almost one third.

A great many people are concerned by the question of how to bring to an end the gigantomania of the big industrial centers. Their population growth will be held in check. At the same time there will be development of medium-size and small cities with available labor resources. Small enterprises and branch plants, consumer goods manufacturing operations, agricultural products processing operations, and building materials production operations will be encouraged in these development-targeted areas. In addition, there will be a shift from autonomous or self-contained to interlinked development of cities, towns, and villages.

One of the most important social problems involves increasing the effectiveness of the sanatorium and health resort potential of the Crimea, the Black Sea coast, the coast of the Sea of Azov, and the Carpathians. Our attention will be focused on this problem.

[Dayen] If you will permit me, Vitold Pavlovych, to ask one somewhat unexpected question. What does the chairman of Gosplan think about when he is unable to get to sleep?

[Fokin] Yes, yes.... Certainly an unexpected question. Frankly, I try to think about something pleasant. Unfortunately, in recent months this effort has not always succeeded. There are too many problems and crises. Do you know what concerns me the most? How do you make the workforce the genuine master of its enterprise without changing our socialist form of ownership? After all, the fact is that the means of production do not belong to the workforce at the present time. As we know, however, there is an age-old law in effect: a hired worker is concerned with doing as little as possible and earning as much as possible. Under these conditions it is difficult to make an economy efficient.

In addition, how does one integrate highly-efficient economic activity with social humanitarianism? Strict distribution according to the results of labor, differentiation of profits, and even bankruptcy and partial bankruptcy—how do they jibe with the principles of socialist humanitarianism and fairness? How do we make cooperative activity focus on benefit to all strata of the population rather than serving as a means of profit and

unlimited enrichment of certain enterprising businessmen? I am sharing my innermost thoughts. I believe that these are key questions in the restructuring of society.

[Dayen] You worked for many years in the coal industry, making your way from a rank-and-file mine engineer to the head of a large combine. After all these years of work in the production arena, was it difficult to adjust to working in Gosplan?

[Fokin] Believe it or not, I still remember the mines very vividly. When I travel to the Donbass, I feel an emotional sense of joy. I always feel a sense of heightened emotions when I am on my way to meet with constituents in Voroshilovgrad Oblast.

[Dayen] Describe the workday of the chairman of Gosplan.

[Fokin] Figuratively speaking, [the chairman smiled], a nine-hour day. From nine in the morning to nine in the evening, a little more or less. And I work on Saturday as well.

[Dayen] What do you do for entertainment in your free time, of which you don't have much?

[Fokin] I am unhappy when circumstances prevent me from playing a little tennis. The people at our Paton complex are great. For the most part I spend my vacation in the taiga, on the rivers of the Lena, Yana, and Kolyma basin. I have done this a lot. Of course I also am very fond of literature, the theater, and the arts in general. I can't say that I am entirely fond of all works of literature which are presently in great fashion. Some evoke strong feelings of protest on my part.

[Dayen] Do you have any message you would like to pass on to today's production organizers?

[Fokin] I would urge them to master economic methods of management. Herein lies the essence of perestroika.

...

From the editors: With this article we begin a new rubric entitled "Economic Reform: Decisive Opportunity."

#### Strife in AzSSR Affects Plan Fulfillment

##### Lost Production

18200167 Baku BAKINSKIY RABOCHIY in Russian  
11 Dec 88 p 2

[AZERINFORM report: "When Losses Are Gaining"]

[Text] The alarming events that have taken place recently have left their mark. Strikes at some industrial enterprises, in transportation, and in the area of domestic services had a serious impact on the republic's economy. In November of this year alone, the shortfall in the

production of commodity output amounted to 170.5 million rubles. Compared with October, the volume of production declined by almost one-third in Baku, Yevlakh and Lenkorni and by one-half in Nakhichevani. It must be said that half of the total deficiency in the republic is due to the NKAO [expansion not given]. The production shortfall for the first 11 months here was 114.4 million rubles.

As we were told in the administration of the Azerbaijani republic bank of USSR Gosbank, the profit plan was fulfilled by only 94.9 percent and the income deficiency amounted to 66.5 million rubles. This had an impact on the solvency of the economic bodies, whose debts increased by 400 million rubles in November alone.

The situation had an extremely negative effect on the state of the monetary turnover. This occurred because of the large shortfalls in the delivery of consumer goods, in particular 5.6 million square meters of cotton fabric, 496,000 square meters of wool fabric, 641,000 knitted articles, sewn goods valued at 7.3 million rubles, 1 million pairs of shoes, 13,200 refrigerators, furniture valued at 3 million rubles, and much more.

The population failed to receive 38.8 million rubles in goods in the service area. The enterprises in domestic services lagged even further behind.

All of this meant that in November of this year alone the safes of the bank institutions had a shortfall of 23.9 million rubles.

The integrity of state valuables was also threatened. There were days when more than 100 trade and domestic enterprises received no payments.

The events threatened the payment of wages to workers, kolkhoz farmers and employees. This was averted only because of the timely and prompt assistance from the USSR Gosbank. During these difficult days as well, the republic's banking institutions paid out cash to all enterprises and organizations.

##### Regaining Momentum

18200167 Baku BAKINSKIY RABOCHIY in Russian  
8 Dec 88 p 1

[AZERINFORM report: "Making up for the Lag"]

[Text] Many labor collectives of the republic's enterprises are operating under increasing pressure during these days at the end of the year. They are moved by the desire to make up for the existing lag and to achieve the goals set by the five-year plan.

As everyone knows, the results of the first 10 months of the year were pleasing, despite everything. At the same time that the industry of Nagorny Karabakh was shut

down completely, the economy of our republic continued to function efficiently and smoothly. Through the great efforts of all the working people of Azerbaijan, it was possible to meet the planned figures for the main indicators.

It is enough to say that the growth rate of the republic's industrial production was equal to the annual target and output was delivered under contractual obligations. It all meant that the year will be concluded in a worthy manner.

Certain events in November, however, disturbed the normal rhythm of a number of works in Baku and the republic. The growth rates for production over the first 11 months fell to 102.8 percent. Contractual obligations were only 97.7 percent fulfilled. Indebtedness to consumers almost doubled and reached 244.9 million rubles.

The profit plan was 94.9 percent fulfilled and the shortfall was 66.5 million rubles. And this means that many collectives are lacking significant sums in their social development and economic incentive funds. Those enterprises working under the conditions of cost accounting and self-financing suffered especially.

In November, the shortfall of commodity production was 170 million rubles. The index of the production volume for November of this year relative to November 1987 was 88.7 percent. Just from 21 November to 2 December, the overall shortfall in output in the republic was 115 million rubles, including about 100 million rubles for the city of Baku.

To get a clearer impression of the losses, let us present the following example. In terms of the construction of dwelling houses, the shortfall of 115 million rubles amounts to 520,000 square meters of housing space. About 9,000 families could have had house warmings. And this is at a time when the inhabitants of the republic are experiencing an extremely acute need for housing. This is what the interruptions in work and the idle time from strikes meant.

The questions present themselves: Who benefits from this? Who has an interest in weakening the economy of Azerbaijan? Any person with common sense can answer these questions: only the enemies of perestroika, those who have sought to destabilize the situation and who wanted to hinder the positive changes appearing in the economic and public life of Azerbaijan. Forces against perestroika, extremists of various kinds and those dealing in the gray economy, skillfully exploiting the emotions of people and irreverently playing with their feelings, were able to mislead those who sincerely sought to satisfy just demands. People have now begun to understand that this is no way to resolve the existing problems.

Today's situation indicates that the working people of Baku and the entire republic are striving to reestablish the customary work rhythm of enterprises and institutions. Many labor collectives obligated themselves to work on Saturdays and Sundays and are seeking reserves for concentrating working time. They are full of resolve to make up for what has been lost in a short time.

### Oil Machinery Plant Strikes

18200167 Baku BAKINSKIY RABOCHIY in Russian  
2 Dec 88 p 3

[AZERINFORM report: "Will They Hear the Voice of Reason?"]

[Text] The lathes and automatic lines of the Baku Machine Building Plant imeni Lieutenant Shmidt are back in operation. After 12 days of striking, one of the oldest enterprises in the republic for petroleum machine building is beginning to go back to work.

"But, of course, it is still too early to talk about real work," says Ramiz Dzhabbarov, secretary of the plant's party committee. "The plant is working at less than 50 percent of its capacity. A number of the main shops and sections are still inactive. There are a lot of our enterprise's workers among those meeting in Baku's central square."

While the meetings are going on, economists are counting up the losses. Since 18 November, the enterprise has had a production shortfall of more than 5 million rubles. This means that the oil-industry workers in West Siberia, Tatar, the Ukraine and other regions of the country will not receive on schedule the gusher hardware, blowout preventers and other items for which the plant imeni Lieutenant Shmidt is the only manufacturer in the country. Losses will also be a heavy burden on the collective of the enterprise. This is all the more vexing in that the profit plan for the first 10 months was fulfilled. And in November and December, the workers at Shmidt had expected to liquidate all the obligations for deliveries and to obtain a solid profit for the year's results, in accordance with which it would also have been possible to increase the production development and economic incentive funds. Now, unfortunately, all of this will remain a dream.

A meeting of the labor collective was held in the plant's assembly hall during the lunch break. Representatives of military subunits located in Baku that came here in connection with the imposition of martial law visited the workers at Shmidt. They told about the tasks of soldiers to maintain order in the city and called upon the working class of Baku to remain true to their glorious internationalist and labor traditions. The plant workers spoke with bitterness and pain about people arriving from Armenia during these days. They demanded that the leaders of party, soviet and economic authorities of the Armenian SSR guarantee the safety of these people as well as of all Azerbaijanis remaining in Armenia.



The recurring theme of all the speeches at the meeting was the idea that when the situation is normalized we will make up for losses and will work in three shifts without days off but we will meet all of our obligations.

But the normalization of the situation in the city depends primarily upon everyone returning to his workplace and upon the cessation of meetings at Lenin Square

At their meeting, the workers of the plant imeni Lieutenant Shmidt decided to appeal to all citizens of Baku to stop the mass meetings and demonstrations and to return to work on 2 December. Will the voice of reason be heard?

**BSSR Gosplan Hit for Weak Planning, Strategy**  
18200102 Minsk SELSKAYA GAZETA in Russian  
11 Nov 88 p 1

[Article by V. Sharpilo: "Is the Staff up to Restructuring?"; first five paragraphs are SELSKAYA GAZETA introduction]

[Text] The main staff of the economic system, called upon to carry out, as V.I. Lenin emphasized, "the scientific development of the state plan for the entire national economy"—that is what Gosplan is.

The visiting card of the BSSR State Planning Committee consists of divisions and subdivisions, as well as complexes working out long-term tasks.

Sectorial divisions—their designation speaks for itself. This is where work is planned for industry, agriculture, transport, trade...in a word, all the sectors.

Balances. Their task is to compile all-republic balances for the main types of material-technical resources.

Composite divisions. They are called upon to ensure coordination and proportion in the development of the sectors through indicators common for the entire economic system—let us say, for indicators such as the national income, labor productivity, production cost, capital investments.... It is here precisely that this organ's work on drawing up national economic plans, which will then be taken to the deputies for discussion, will begin and end.

#### What Is Disturbing Gosplan?

This sentence took up only two lines in the text of the report given by V.A. Kovalev, secretary of the party bureau: "In 1989 it is outlined that the republic as a whole be converted to self-financing." It was supplemented by the communists, however, in continuing the specific, interested conversation. It is clear that the new economic mechanism does not guarantee the automatic

achievement of the necessary results. The stress of introducing it can already be seen. All this requires that the communists and all the specialists make a thorough analysis and have a skilled approach to solving the problem.

How fixed is the attention paid to them by the complexes and departments of the economic staff? Is it supported by the party demand from the communists? In answering these and other questions that are forthcoming, they did not avoid any sharp corners. Take, let us say, the violations appearing in relation to the growth rates of wages and labor productivity. In a number of sectors operating under the new conditions, the increase in wages was many times higher than the increase in productivity. However, V.V. Klishkevich, L.Ye. Demen-  
tey, M.A. Benetskiy, A.M. Rachkovskiy and other communist directors, were not concerned about working out specific proposals on formulation of scientifically substantiated correlations of these indicators.

In order to work out territorial cost accounting, clear-cut relations with the union bodies must be organized. First of all, in what directions must the republic's independence in planning production and distribution of the products be expanded? How do you "shake up" the material-technical supply and the normatives regulating relations with the union budget? What is economical to produce in the republic, and what should be imported from other regions? The matter cannot move forward unless these questions are answered.

When something new is introduced, a great deal depends on clear-cut economic interrelations with the oblasts. This is possible only by expanding their rights in planning and expanding the long-term and stable normatives for formulating local budgets, which would give regions an interest in performing more efficient work.

What about the relations of enterprises and organizations with the rayon, the city and the oblast? They are made difficult unless norms of payment for resources and stable withholdings for the local budgets are worked out.

From a statement in a debate:

"How can there be practical ensurance of economic independence for the republic by leaving unaffected the enterprises under union jurisdiction, that relate to the main sector of specialization of our economic system—machine building? "Its proportion," says E.K. Medvedev, chief of the combined division of heavy industry, "is one-third of the volume of industrial production. The ecological situation and use of labor, power and natural resources, the solution to food and housing construction problems, expanding the sphere of services and production of commodities in high demand depend on the development, location and specialization of these plants. Indeed, it is this precise sector which determines the "face" of Belorussia in foreign economic relations. The

actual levers of its management are found in the union ministries. All the attempts to coordinate their work on the territory, and to set up efficient cooperation of enterprises in using production reserves and solving intersectorial technical and social problems run up against departmental barriers. It is clear that all-union supplies in this case should be made in full."

Regional cost accounting, the speakers emphasized, will yield the anticipated results, on condition that its principles become an integral part of the work of all the sectors and enterprises and are taken to each work place. We cannot do without intensification of the methodological assistance of Gosplan divisions here.

From the decree:

"The Party Bureau is to concentrate the efforts of the communists on solving the problems of efficient functioning of the new economic mechanism, introducing regional planning and the transition of the republic to full economic cost accounting and self-financing."

#### Against Inertia

We know from a school course in physics that: the heavier the body, the greater its amount of inertia and the more difficult to make it move in any direction. We note: in the sphere of administration, a force once assembled also has a tendency not to stop itself. Great efforts are needed. Many years of lagging behind in the material-technical base, for example, the construction complex, have had their effect on the periods for building projects, particularly—for social purposes.

In revealing the reasons for this situation, the Gosplan communists acknowledged that even the committee did not always achieve balance between the plans and the production volumes of many items. The Ministry of Industrial Building Materials and other sectorial staffs did not fully use the reserves for accumulation of the necessary output. Here, at a number of enterprises, the capacities were not fully loaded.

Cement has been in the category of items in short supply for many years. It would appear that Gosplan should show more concern for expanding its production, particularly since there is not enough raw material. The committee has taken no efficient measures. As a result, by the end of the present five-year plan its production volumes will be lagging behind at practically the former level. The solution to this problem, according to the system of locating and developing productive forces, is specified only by the year 2005. Without cement, linoleum, bathtubs and other materials and items, no accelerated solution to the housing program can be ensured.

What is the way out? First of all, to introduce the achievements of science and technology and resource- and energy-conserving technology. Several years ago, the Belorussian Polytechnical Institute worked out methods

to use the production wastes of the Gomel Chemical Plant—the phosphogypsum—in industrial building materials. They made the necessary experiments, created new industrial processes and calculated the economic effect. Who, if not Gosplan, was called upon to support the solution to this problem, important from the standpoint of utilizing local resources? The matter came to a standstill, however, at the stage of agreements and plans. The specialist-planners were left aside. An analogous fate was suffered by an innovation of the Belorussian Technological Institute—industrial manufacture of multi-hollow slabs, which reduce the specific expenditure of lumber by a factor of 6-8.

The committee is not making active enough use of the new organizational forms of work to accelerate the introduction of the achievements of science into production and to disseminate advanced scientific-technical experience. It also undervalues such mobile formations as engineering centers, temporary creative collectives, scientific-technical cooperatives and interdepartmental laboratories and divisions. Thus, the republic has created no reliable mechanism which would clearly determine the role and responsibility of each participant in the process of creating a scientific innovation, from its development to mass utilization.

Gosplan has not paid the proper attention to the sector providing the population with consumer goods, particularly foodstuffs. The appropriate divisions of the economic staff have not yet achieved any essential changes in planning and developing agricultural production. These problems and subjects have not been introduced for discussion at meetings of shop party organizations and meetings of the bureau of the administrative system. They require immediate intervention. Take, for example, the accumulation of capacities to process agricultural raw material. Merely organizing work in two shifts for existing enterprises makes it possible to give up construction of expensive new meat combines and simultaneously take care of the development of the social sphere.

Why has a shortage of these capacities formed?

From the speech of L.Ya. Khaylo, chief specialist of the Division of Developing the Material-Technical Base and the Social Sphere of the Agro-Industrial Complex:

"Our specialists have contributed their bit. In forming the five-year plans, by agreement with the directive bodies, they called the futures for production and purchases of cattle and milk lower than possible. This had an effect on the demands for capacities for the processing enterprises and also means allotting the republic capital investments to develop them. A program has now been worked out that specifies full provision, by 1995, for the needs for agricultural processing, introduction of waste-free technology and re-equipment by the sector."

Other examples of improvements in working out the development of productive forces were listed at the meeting. Gosplan at times is under the thumb of the ministries and departments who are most often concerned only with their own interests.

The communists spoke anxiously of improving the administration of the external economic ties of the republic, more intensive development of the systems for development and location of productive forces, efficient use of resources and solution of the ecological problems.

It was noted that both the party bureau and the collegium were taking an inadequate part in up-dating all aspects of the work of the committee and did not properly direct the search for innovative ways of solving long-term problems. The party organization does not always take a principally aggressive position in the struggle to restructure the work style of the staff, does not carry out truly active monitoring of its activity and does not query those who are working in the old way.

From the decree:

"The Party Bureau is to be more persistent in its work on up-dating the style, form and methods of administrative work and raising its quality. For these purposes there must be utmost development of glasnost, democracy, criticism and self-criticism and instilling a sense of responsibility for the job assigned."

Our entire social-economic development is proceeding on the basis of the national economic plans. The body forming it is Gosplan. New problems arise every day in the main economic staff of the republic, as well as new calculations, predictions and solutions. The main task of the committee, and this is also confirmed by the conversation of those attending the meeting, is strategy, as well as the tactics of further maneuvers, but in no way a close battle. The specialist-planners must also think about this.

Y.Ye. Sokolov, first secretary of the Central Committee of the Belorussian Communist Party, took part in the meeting.



## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Issue of Meat Production Versus Demand Analyzed

18240036a Moscow SELSKAYA ZHIZN in Russian  
21 Jan 89 p 2

[Article by E. Osipov: "Grabbed from the Ceiling"]  
w feature called "Farm Economy." The transition of the farms, and all their subdivisions, to khozraschet and self-financing places especially serious demands on raising livestock—a branch still operating at a loss in many areas. How to lower the cost of farm production, which economic levers to pull in order to speed the branch's intensive development, what to do to create high-profit stock farming—these are just a few of the questions, answers to which will be given by the material in this feature. The transition to new All-Union State Standards for farm production also brings out many problems. All in all, there should be long, concerned conversation. SELSKAYA ZHIZN invited the participation of farm leaders, specialists, scientists, practitioners and workers; anyone who is not indifferent to the fate of the branch upon whose development depends the abundance of the nation's table. Send in your suggestions and articles marked "Farm Economy."

Much has been written recently on the need to raise the retail prices of meat and milk. But first the question should be clearly answered: why is meat production expensive and why does its growth lag behind demand? Perhaps livestock production is not being stimulated, or economical methods are not being used? At a question such as this, any farm worker will recall the price differentials for the young of a large horned steer, depending on how well fed the animal is, with a an increment for heavyweight animals. Some oblasts of Russia have retained that system even under the transition to self-financing. What does such an economic mechanism contribute to society?

As we know, the farm is paid a 35 percent surcharge on the purchase price of cattle weighing at least 350 kilograms. The farm receives 661 rubles for every such animal. But if the calf weighs 349 kilograms, the surcharge is not added, and only 489 rubles is cleared. Thus, the difference of 1 kilogram allows the receipt of an additional 172 rubles. The situation is the same upon crossing into the next weight category. The farm receives 754 rubles for an animal weighing 399 kilograms, but 840 rubles for one weighing 400 kilograms. In this case, the additional kilogram increases profits by 86 rubles.

What has this led to in practice? In 5 years, the average live weight of cattle realized on state kolkhozes and sovkhoses of Russia increased from 342 to 352 kilograms. As a result, the monetary profits of the farms increased in accounts per head from 478.8 rubles to

665.3 rubles. Thus, these 10 kilograms of weight brought the farms 186.5 rubles. In other words, a kilogram of extra weight cost society almost 19 rubles, and a kilogram of meat almost 40 rubles. Isn't that too expensive?

It is not difficult to see that the opportunity to receive an enormous monetary surcharge for a scant increase in weight does not stimulate growth in beef production. And despite the fact that in addition to the "material interests," the "pressure method" is always in effect; the Party and farm organs of many localities refusal to allow the kolkhozes and sovkhoses to sell, and the meat processors to accept for processing any cattle weighing less than 350 or 400 kilograms, the average weight of the cattle sold is growing slowly. So slowly, that if this tendency remains on the level of the 11th Five-Year Plan, another three five-year plans would be needed to stretch the average calf weight in Russia up to 400 kilograms.

No less absurd in relation to the farms are the meat-processing complexes. So, if a calf is carried off fattened over the average, the purchase price per 100 kilograms live weight is 164 rubles, and for average-fattened calves, 140 rubles, 15 percent less. How is one carcass distinguished from another? It turns out that there are no objective quantitative indices for this. It is simply the subjective opinion of the corresponding worker. Replace the worker, and the grading will change. The grade is produced by speculating upon the exterior condition of the carcasses, which are sometimes difficult to assign to one group or the other, especially the above-average and average fattened. But this subjective grading effects concrete and significant price changes. The appearance of application of economic methods is created.

In this case, the methods stimulate the production not of the most valuable meat, but of a product of lesser value to man and society. It is known that use of young and non-fatty beef is healthier. The meat processing complexes send the fat to soap factories, and to produce bird feed; it is almost never used for nutritional purposes. But the above-average fattened carcasses have 10 percent and more fat than the average carcasses. Why do we encourage the production of fat, for which there is no market, and for the production of which is wasted significantly more feed than on the meat itself?

By no means does this exhaust the absurdity of the current "order" of livestock procurement. It is known that the meat processing complexes process the stock, and the resulting meat is graded by "yields," transposing by coefficients a slaughtered cattle weight into a live cattle weight, which is sent back to the kolkhozes and sovkhoses to credit their accounts in fulfilling the purchase plan. For above-average fattened cattle, the transposing coefficient is 2.05, and for average-fattened cattle, 2.17. And here is a situation where you can make a whole calf out of nothing. Let us suppose that after processing, we get a carcass weighing 190 kilograms. If it is graded above-average fattened, then the calf's "live weight" was 389.5 kilograms, and for an average calf,

412.3 kilograms. In this case, the farm will count 22.8 kilograms, or almost 6 percent greater "production." It is advantageous to the kolkhozes and sovkhozes to produce average-fattened cattle. After all, the profit in this does not decrease. In the above case, for a 389.5 kilogram live-weight calf (purchase price 164 rubles per 100 kilograms, 35 percent surcharge), and the sovkhoz profits by 862 rubles. The following indices are for an average-fattened calf: weight, 412.3 kilograms, price, 140 rubles per 100 kilograms, surcharge for heavyweight calf, 50 percent, and general profit, almost 866 rubles.

This kind of operation is advantageous to the meat processing complexes as well. In the first place, because under calculation of average-fattened cattle, raw material is graded significantly lower. Secondly, the purchase price has absolutely no influence upon the cost, since the bank pays the kolkhozes and sovkhozes according to certain prices, and withdraws a completely different sum from the account of the meat processing complex.

In brief, the existing complicated and contradictory economic mechanism does not allow the objective evaluation of the activities involved in raising and feeding young big-horned cattle, their production and processing. The mechanism allows better end results for lesser work. Whatever the specialists claim about the younger the calf, the better the meat, the existing system of purchase prices does not allow the system to be changed for the better.

The majority of farms are caught in a vicious cycle. Each has a definite number of cattle, which cannot be reduced, and store a known quantity of feed, which is in short supply. How is the cultivation and feeding of young cattle organized in the average kolkhoz or sovkhoz? In the first and second period of his life, the calf receives much less feed than in subsequent stages. As a result, the animal loses the energy to grow at an early age, and even at the final feeding stage he does not show high weight gain. This is where the main losses are. In limiting calves' feed, we undermine their potential. The organisms of adult animals cultivated under these "methods" are unable to transform feed into meat effectively. In summary, with insignificant added growth in production, cost increases sharply.

It can be objected, that there are farms in our country which sell heavy-weight cattle. That is so! But, in analyzing the reasons, it can be seen that the majority of them (not all, the majority) obtain such indices by either exaggerating length of feeding time, yielding 3-4 year old animals, or by having better conditions: they are allocated more resources, a better material-technological base has been created, social problems have been solved. High surcharges on purchase prices of heavy-weight cattle help others cover the growing cost of production. From society's position, the expense of production units is growing unjustifiably.

In summation, it can be said that neither the economic mechanism of stimulating beef production, nor its powerful assistant, administrative pressure have failed to provide an answer to this problem. Both methods are directed against concrete natural and economic conditions, and do not subscribe to a single, integral, mutual system. Encouraging the sale of heavy-weight cattle led only to plundering feed, uncontrolled growth in the cost of meat and the sale of animals at "retirement" ages.

We have examined a very specific question, without touching upon all its implications. The scope of the material does not allow for in-depth analysis of the economic mechanism of milk, pork, lamb, poultry and other production. But whatever we choose, the situation comes down to the same thing. Forces of production grew; the potential of the agro-industrial complex grew, but production relations remained the same. Somehow everyone had come to believe in the necessity of periodic change only in the system of management and price surcharges.

Ask any scientist, from academician to candidate of sciences, who is studying this topic: why is the growth production surcharge 50 percent, and not, say, 45 or 61 percent? Not one of them will give you a clear answer. The surcharges, like the prices themselves, are not scientifically based; they are grabbed from the ceiling, as they say.

A basic restructuring of the economic mechanism of the agro-industrial complex is needed, especially in cattle production and processing, and rendering of meat and meat products. In this mechanism it is necessary to consider the biological factors of animal development, rational utilization of resources, the system of meat-pricing indices, the economic interdependence involved from production to yield of ready products, and the material interests of all workers. And, of course, the system of different surcharges must be liquidated, dependent on natural and economic conditions and considering the norm of feed use, and not their actual over-expenditures.

All relations in raising livestock must be based on a normative foundation, as recommended by USSR Gosagroprom, and not on factual indices.

**Benefits of Price Formation Reform Questioned**  
18240036b Moscow SELSKAYA ZHIZN in Russian  
21 Jan 89 p 2

[Article by A. Kostyukov: "Change the Price Lists?"]

[Text] On 30 October, the newspaper published a discussion with V. Kufakov, deputy director of the Economic Summary Department of Price Formation of the USSR State Committee for the Agro-Industrial Complex under the title "Prices: Is There a Choice?". V. Kufakov and the author did not agree on the central question of whether food stuff prices should be raised. Dozens of

readers joined their discussion. The general tone of this polemic by correspondence was extremely emotional. That is understandable, as the question is an extremely emotional one.

There is, of course, another opinion. Tselinograd resident T.P. Kozhemyakov is convinced that the fuss over the anticipated price reform is needed only by "those who buy their meat at state prices: Muscovites, Leningraders, residents of certain other regions, sales workers, their families..." The letter's author thinks that "the mass information media, represented largely by Muscovites, is in no small way responsible" for the discussion now unfolding.

Yes, such a point of view exists. Its proponents somehow lose sight of the fact that the State Committee for Prices, in insisting on raising the prices of products, is not in Tselinograd either. Could it be that price reform was dreamed up to deprive Muscovites and Leningraders of their consumer privileges? There is a simpler way to do that—cut off their sausage fund. It could be done in a minute!

T.P. Kozhemyakov is an agricultural specialist, a candidate of sciences. I relate this detail for the sole benefit of Yu. A. Pivovarov, who wrote us from the Crimean village of Zelenyy. The thing is, that Yuriy Arkadyevich feels: price formation is not a subject for dilettantes, and that it is stupid to bring the issue of prices into an all-national dispute. In the dilettante's view, the lower the prices, the better. The specialist, however, "knowing how the economy works," will never say that.

The absolute majority of readers who wrote us about price formation are not specialists. They genuinely oppose price increases. We will not flatter ourselves with unanimity ("After all, no one would think of deciding how to run a nuclear reactor by voting on it," writes Yu. A. Pivovarov). It is true that public passions are not the best argument. But it is not worth brushing aside with annoyance the opinions of mere mortals, who do not observe life from academic heights, but from the hill of their own experience. Don't you see that they have already survived more than one reform, and that to be frank, they have developed a stubborn mistrust of hasty experimentation in general. They will be the ones to pay for this experiment, not the experimenters. What is reprehensible is that in the multitude of articles and interviews on price reform, they seek complete, accessible clarity, and upon failing to find that, ask more and more questions, setting down on paper new counter arguments. No, we have to, we must hear them all out!

The opinion has been expressed that the increase in retail and wholesale prices for meat and milk will make our kolkhozes and sovkhoses show profits, allow them to go on *khozraschet* and self-financing, giving the impetus to growth in production; there would be more products, and finally the conditions for price reductions will be

created. Thus, price increases are a temporary victim on the altar of radical economic reform. And what kind of victim is it: the population will be compensated by additional cash payments!

It all seems simple. But the populace shakes its head in distrust. The Tatulyans from the Krasnodarskiy Kray, their neighbor K. Gorelov and many others suddenly remembered that they had already heard about "temporary" price increases. Remember, under Khrushchev? The goals then followed the same line, and you know what happened. Nothing happened; it did not work. What makes the proponents of the new reform think that it will work this time?

Yu. A. Pivovarov says: this time "the talk is not of price increases, but of bringing artificially fixed prices to their real meaning." Our past lack of success he sees as "an organized state market, upon which prices are artificially projected across a gap from the reality of existing economic factors." The terminology can be faulted, but the idea, I feel, is indisputable. Toward the end of the second page, discussing the matter logically and knowledgeably, our author approaches the law of cost and reminds us that true cost is derived from the correlation of demand and supply. Thanks for the good word. Under the directive of price formation, we had actually forgotten what a price is. Yuriy Arkadyevich suggests looking at a typical kolkhoz market: here prices are formed by the natural process resulting from an agreement between the seller and the buyer. Whether we like it or not, at the given moment, in the given market, it is objective and independent of the will of some office. This is why, according to Yu. A. Pivovarov, "Growers don't want to see cheap prices."

If the authors of the price reform proposed the price formation mechanism put forth by Yuriy Arkadyevich, the majority of their current opponents, by all indications, would cross over to their supporters' camp. It is possible that the comrades in the State Committee for Prices are not in agreement on some things, but the organization of the socialist market of goods and the corresponding market mechanism of price formation have not been overlooked in their intentions. That is, it is not obvious that from the day the reforms are announced, kolkhozes and sovkhoses will be free of obligations to offer products for sale at firmly fixed prices, and will be free to sell them to whomever they choose, wherever, and at the price that we, the consumers, agree to give them. State regulation of price levels does not exclude such a variant. But economic regulation is not the same thing as administrative resolution.

Of course, it is clear to us that all this does not depend on one committee for pricing. The dismantling of the administrative surplus and appropriation system is a cardinal economic reform. But the necessity is already acknowledged, it is in *perestroyka's* agenda; why do we want to exchange it for private enterprises, essentially not changing anything? A kilogram of meat costs 2



rubles; it will cost, let's say, 4. What will really happen other than a change in the price list? One artificially fixed price will be replaced by another price also artificially fixed, that's all.

It is cold comfort that the new prices will be closer to "their real meaning." This proximity is a temporary phenomenon. T.P. Kozhemyakov thinks that meat will get more expensive only for Muscovites, Leningraders and others of privileged conditions, but he will go on paying three and a half rubles a kilogram in a cooperative store, as always. Not many people are so certain. They worry that after the state prices rise, the cooperative and market prices will rise. Altayskiy Kray resident comrade Sinkov is certain, in addition, that prices for "bread, raw material for agricultural technology, and shoes, clothing, and later cars and everything needed by agricultural producers will go up." That is, the price growth will spiral throughout the chain of the national economy and will give nothing to the maker of products and their consumers as well. We have experienced this more than once. The same surcharges in 1982 were eaten up by increased costs for technology, construction materials and other products made for the village.

Where is the guarantee that this will not happen again? After all, the new prices are being developed on the same methodological basis, on their adjustment up to the cost expended on producing products. Well, then the price, obediently following expenses, is simply doomed to ceaseless growth. This has been known for quite some time.

Incidentally, many readers do not share the authors' staunch opinion on price reform, as if it were altogether

impossible to reduce the costs of producing goods. Rather than cite examples from the experience of leased collectives, who managed to cut milk and meat prices by half in a year or two, I will listen to an average village resident, M. A. Inogdu from the settlement of Repki in Chernigov Oblast: "Wherever you look, wherever you go, we're losing and losing everything. We're losing about 30 percent of the harvest of seed potatoes, and sometimes flax completely rots in the field... And how much unneeded technology are we letting go? And how long can we hold on to unneeded staff in the administrations? And how much do we steal, register and waste? And how long will we build where we shouldn't, and not the buildings that we need?" Mikhail Aleksandrovich, there isn't enough space in the newspapers. Another of our readers, A.I. Glazyrin from the village of Bagaryaka, Chelyabinsk Oblast, could hardly confine himself to 18 pages as he listed items of absurdly wasteful losses. The conclusion is the same increase in wholesale prices—the dead patient needs a poultice of penetrating reform of the entire system of economic relations.

From these positions, the price system being developed is bad not because it assumes that provisions will become more expensive (this would probably happen even under a market system of price formation), but because it contains nothing intrinsically new, nothing that approaches radical economic reform. And we are not rich enough to finance old experiments. I myself liked the suggestion of reader I. V. Zemtsov: Let the USSR Council of Ministers announce a competition for the best reform project for prices formation, with a hefty prize for the winner, and allow foreign scholars to participate.

## POLICY, ORGANIZATION

### Economic Specialists Discuss Rights of Consumers

18270035 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 41, Oct 88 pp 16-19

[Report on a "Business Club" meeting: "The Consumer: How To Assert His Rights"; first two paragraphs are *EKONOMICHESKAYA GAZETA* introduction]

[Excerpts] Problems concerning the protection of consumers' (customers') rights alarm the public to an ever greater extent. They are discussed in the press and state and public organizations are interested in them. At the same time, various ways of fighting against the real scourge of recent years—lines—and ways of counteracting the unfounded price rise, output of goods with low consumer properties, and "washing away" of cheap assortment are proposed. *EKONOMICHESKAYA GAZETA* has already addressed this subject in the articles "Who Will Protect the Customer" (No 25), "To Protect the Customer" (No 37), and "Not To Let Ariadne's Clew Slip" and "The Chief Thing Is To Act" (No 38), which have evoked great interest among readers.

The newspaper had also informed [readers] that it intended to hold a "Business Club" meeting devoted to problems of organizing a consumer society. Such a business meeting was held. Specialists of various interested organizations, our readers, took part in it. Today we publish a report on it.

The participants in the meeting manifested a complete unanimity in the fact that a wide assortment and a high quality of goods and services and a rise in the service and consumption standard could not be ensured fully if a stable feedback from the consumer to the manufacturer was not set up; in particular, through the establishment of informal associations of consumers asserting their rights in the fight against specific slipshod workers, those who let rejects into trade, violators of price discipline, and bureaucrats in the service sphere...

Such a movement is now developing, readers' clubs of customers are being established, and some local soviets are trying to unite consumers. Thoughts are expressed that in the future such clubs will be able to become the foundation for the consumer union. To be sure, all this is

useful and the manifested initiative requires maximum support. However, the situation with respect to the quality of goods and services, for example, is formed in such a way that, indeed, the most decisive actions are required right now.

**USSR Goskomstat [State Committee for Statistics] Data on the Quality of Nonfoodstuffs for the Population During the First Half a Year of 1988 (unsatisfactory-quality products, thous. units)**

Refrigerators	169
Washing machines	172
Tape recorders	594
Radio receivers	338
Television sets	1314
including color television sets	883
Vacuum cleaners	68.5
Sewing machines	30.0
Cameras	41.3
Watches	1591

We would like to add: During the past period of the year the number of claims for washing machines produced by enterprises of the USSR Ministry of the Electrical Equipment Industry, which were repaired during the warranty period, totaled 28,000 and of those produced by enterprises of the USSR Ministry of the Aviation Industry, 47,000, and then for production by enterprises of electric vacuum sweepers of the USSR Ministry of the Aviation Industry, 24,000. Moreover, on the whole, the actual expenditures of enterprises producing goods for cultural and domestic purposes on the elimination of defects totaled 95 million rubles during the first half a year of 1988 alone.

Hence it is clear that it is difficult to manage only with partial measures, by means of local processes of protecting customers' rights, especially in individual regions alone. Apparently, there is an urgent objective need to establish a harmonious coordinated system of consumer societies with a legalized status and extensive rights of their members.

V. Voyna, editor in a department of the journal *SsHA: EKONOMIKA, POLITIKA, IDEOLOGIYA*:

### "My Dream About the Consumer Society—25 Years"

All this time I have been engaged in problems concerning the development of the consumer movement in various countries throughout the world and often I have had an occasion to hear the following: Do we need these societies? After all, we have appropriate state bodies, various quality inspectorates, and, finally, state acceptance and they simply must be forced to work. What can one answer to this?

Foreign experience shows: Consumer organizations play an exceptionally important role both in the social and political life of any country.

It is not accidental that at the beginning of the 20th century in the United States, where this movement became most widespread, everything began with a scandal, which arose around canned goods production. The novel, "The Jungle," with a description, in particular, of the sanitary conditions under which meat carcasses were processed, served as an impetus. Most of those who read this work were filled with indignation in connection with the antisanitary conditions in slaughterhouses. As a result, a public movement arose, forcing the ruling circles to adopt a special law on the quality of meat. This was the victory of common customers. That is how the consumer movement was born in the United States.

Then, at the end of the 1920's, a book which instantly became a best seller appeared—"What Is Your Money Worth?" It had a description of various abuses: deficiency in weight, entry of stock changes under the wrong heading, and use of unauthorized sales methods. Our trade has not reached the point of such abuses, but, in all honesty, many elementary methods are also frequent in our country. The book caused a sensation not so much with its content as with its constructive proposals.

The authors wrote the following: The government has a national bureau of standards. Its aim is not only to develop standards, but also methods of determining the quality of goods. The state buys goods from producers only on the bureau's recommendations and is interested in their high quality and low prices. There are laboratories testing all goods for the purpose of selecting those that are more durable and cheaper. This saves the government a great deal of money. Thus, the book makes the following conclusion: If consumers could unite and establish their own special laboratories and journals, they could influence the market and, ultimately, save their money.

The idea proved to be tempting. Soon a consumer information organization arose, out of which the consumer union of the United States developed. An international organization of consumer unions also appeared during postwar years. The principles of work of this organization are as follows: To check goods for their correspondence to customers' needs and to test their quality in laboratories.

When the quality is determined, the value of a commodity is taken into account without fail. In this way quality tables are prepared and published in the organization's journal. There were attempts to dispute the results of analysis by this organization and appeals to the court by firms, which suffered losses as a result of the adverse publicity. However, not a single claim by firms was satisfied owing to objective evaluations by consumers. The journal also gives a description of a commodity and

points out how to use it better and how to extract maximum benefits from it. There are also recommendations not to buy a certain commodity.

In addition to technical tests of goods in laboratories, consumers widely use the method of sociological surveys. Hundreds of thousands of people send answers. What do they write? About the frequency of breakdowns and their nature and they give their evaluations of the quality of articles. The society even sends out samples of goods for tests to its members.

Consequently, laboratory tests are the first and main function of this society. It also gives recommendations: How to get compensation for damage and where to turn. A ramified network of public organizations engaging in market control—so-called federal agencies—exists for this in the country. Federal commissions for communication with the public and bodies checking the quality of goods and drugs operate. There is also a special presidential assistant for consumer affairs, as a rule, a woman. In brief, every consumer has a list of addresses, to which he can send his complaint.

In the United States consumer services have free lawyers. This is their charitable activity. By the way, young lawyers begin their careers by working for a symbolic pay for several years—they appear in courts and give advice. Thus, the consumer organization, which has existed for half a century, also engages in legal activity. And, of course, it services primarily its members. Well, who can become its members?

Anyone who subscribes to the society's journal. And there are no membership dues. Every year along with the journal, subscribers receive a copy of the bulletin to fill out: Whom do they want to see on the central board? And in this way, in essence, they participate in elections.

I would also like to note that a new consumer movement appeared in the 1960's. The initiator managed to demonstrate that the quality of American cars manufactured by the General Motors Corporation left much to be desired. When manufacturing cars, the corporation used materials harmful for man and produced some low-quality parts.

As a result of the investigation of some car models it was possible to uncover the reasons why they often broke down. The initiator himself—a lawyer—studied engineering and published the book "Unsafe at Any Speed." The car firm General Motors decided to take revenge on the person who offended it and to "crush" him and gathered compromising material. However, it did not succeed in "crushing" him. The whole country followed this duel. In the end the corporation had to offer its apologies and to pay 500,000 dollars as compensation. With this money he established a network of public organizations, which continued the fight against this corporation and others for their rights. That is how this new movement arose. This is a very interesting phenomenon.



Students are activists of the new consumer movement. They engage primarily in local affairs. They study the degree of damage done by firms to the environment. After all, conventionally speaking, man consumes everything: books in libraries, air, water, cultural assets, and so forth. And if a corporation pollutes the environment, this is also a reason for public protest by consumers. These facts are made public through the society's press. For example, the following slogan was put forward: "Don't Buy Articles Made From the Fur of Disappearing Animals!" Foreign film "stars" now will not risk wearing leopard coats. They will be hissed at. Such can be the strength of public influence by simple consumers of material wealth. [passages omitted]

**M. Ushakov, chief of the Administration for Quality Evaluation and Certification of the USSR State Committee for Standards:**

#### "Our Laboratories at Your Service"

First of all, I would like to note: The problem of establishing a consumer society in our country is not only ripe, but has long been overripe. And it is quite obvious that all of us support this idea, first, as consumers and, second, as specialists; I, personally, as the representative of the State Committee for Standards.

Indeed, international experience shows the effectiveness of such societies. Their significance is not belittled by the existence of state organizations engaged in the same problems concerning the quality of goods and services and consumer protection.

With regard to the USSR State Committee for Standards, it is interested in the establishment of a consumer society. We believe that we have common goals. After all, our State Committee, first of all, is called upon to guard the consumer. In general, a combination of the future society's efforts with other organizations, while its independence is preserved, will be only of benefit.

#### Question by EKONOMICHESKAYA GAZETA:

In what directions is the USSR State Committee for Standards specifically ready to cooperate with the consumer society?

**M. Ushakov:**

First of all, of course, directly in the standardization itself. After all, standards establish the requirements for the quality of products and their consumer properties, about which all of us, discussing the problems at this meeting, care. Members of the consumer society, on the one hand, can participate in the preparation of standards and in the development of various requirements for goods and services and, on the other, should be well familiar with standards in order to evaluate products in a skilled and competent manner and to formulate their demands for them.

With respect to consumer goods attempts have been made to entrust the basic role of the organized consumer to trade. Trade plays this role to some extent. There is even the Institute of Market Conditions and Demand. However, this is obviously not appropriate. After all, the main function of trade is different—to deliver the commodity to the consumer.

#### EKONOMICHESKAYA GAZETA:

Many of its workers perform this function so that the "poor" consumer very often himself—for the time being, unfortunately, alone—has to defend himself against their "favors," as they say, with hand and foot. They not only let rejects into trade. What do such facts cost? For example, according to the data of the Ukrainian SSR Procuracy, only for appropriating and squandering property and funds entrusted to them, 800 trade workers in the republic were convicted in 1986 and the first half a year of 1987. Criminal proceedings were instituted against 344 managers and accounts workers. A total of 255 criminal groups were exposed.

In all 442,386 cases of misappropriation, waste, shortage, and spoilage of assets were committed in the system of the Ukrainian SSR Ministry of Trade during that period.

Throughout the USSR Ministry of Trade, according to the data of the auditing department of the ministry itself, the picture appears as follows:

#### Data on Shortage, Waste, and Misappropriation of Commodity Stocks and Funds Amounting to More than 10,000 Rubles

	1985	1986	1987
Number of cases	217	295	302
Total amount (thous. rub.)	6962.8	9899.8	9812.4

**M. Ushakov:**

It is not always within the powers of the workers of the Ministry of Trade to come out against trade interests on the basis of some nuances with respect to the quality of products. Consumer societies can play an important role here.

However, standards represent one area of our cooperation with the society of consumers. An evaluation of the quality of products is another. In order that the consumer may objectively evaluate products, testing laboratories, skilled personnel, and so forth are needed. The State Committee for Standards has such capabilities. Jointly with ministries we have established more than 200 head organizations for the state testing of products,

of which about 40 handle consumer goods. These head organizations work under our methodological guidance. Their laboratories could be offered to consumers for the performance of tests.

#### **EKONOMICHESKAYA GAZETA:**

Some of our readers go even further. Doctor of Juridical Sciences A. Nozdrachev, senior scientific associate at the All-Union Scientific Research Institute of Soviet Legislation, writes the following to the editorial department:

"The introduction of 'dual subordination' of centers for the standardization and metrology of goods and so forth, that is, to the All-Union Consumer Society and to the USSR State Committee for Standards, would also contribute to an improvement in the quality of goods and services."

A proposal, which, perhaps, is worth giving thought to in the future.

**M. Ushakov:**

Finally, many enterprises, especially those producing consumer goods, work under the control of state supervisory bodies. The latter carry out control selectively and its efficiency depends to a large extent on the correct addresses of checks. Consequently, we could act according to the addresses mentioned by the consumer and, in turn, inform him of results. Thus, there are various spheres of application of joint efforts on the part of consumers and the State Committee for Standards.

I would like to stress especially that the consumer society should be independent. It should not be established under someone's dictate, because any, be it a social or a state, body will begin to adapt it to its needs and to impose its own, already existing, method of work. Wide cooperation with state and other organizations is another matter. It will only strengthen the society. The State Committee for Standards will undertake this with enthusiasm.

#### **"Independence of the Society of Consumers Is the Basic Condition"**

**V. Shcharenkiy, head of the Department for Methods of Evaluation and Expert Examination of Consumer Properties of Goods at the Scientific Research Institute of Technical Esthetics of the USSR State Committee for Science and Technology:**

The department, which I have headed for 18 years, has the most direct relationship to the subject of our talk. And, perhaps, like no other organization it can be useful to our future society. Incidentally, the situation with respect to the quality of goods and information of consumers and appropriate departments could have

changed for the better many years ago. It could have, but it did not. I will explain why, because hardly anyone knows this story. In my opinion, however, it is instructive. Judge for yourselves.

In the early 1970's the USSR State Committee for Science and Technology, according to the results of our expert examinations pertaining to the consumer properties of goods, was just about to begin holding board meetings. Then we initiated the following proposal to the State Committee for Science and Technology and the USSR State Committee for Standards: To publish a special journal, which would reflect objective detailed information on goods produced in our country. However, the period of "stagnation" could not allow such a "luxury." We were given to understand that an open publication of the results of the expert examination, allegedly, would be reflected in the country's economy. If, they said, the shortcomings of our goods are criticized openly, the industry can be halted altogether. And this at a time when in most countries such publications serve as a good "refreshing" shower for industrial workers and stimulate them to search for new technical solutions and to work on quality.

Meanwhile, we continued to carry out the expert examination and in the early 1970's the State Committee for Standards and the State Committee for Science and Technology adopted a decision to make it obligatory for articles certified for the Badge of Quality. Today we have an archive, which contains 14,000 files for articles that underwent an expert examination or certification. Each such package has a picture of the technical level and quality, specifications, and our conclusion. As enterprise representatives said at that time: For us the most terrible thing is to pass the Scientific Research Institute of Technical Esthetics. In fact, approximately 40 percent of the articles submitted for an expert examination received a negative evaluation and, as a rule, were not certified.

The most different organizations, that is, from oblast party committees to ministries and our committee itself, applied pressure, and very strong at that, to us. The Badge of Quality was planned and few in the upper echelons of sectors were interested in a professional analysis, whose results could be taken into account, for example, during modernization. Work was curtailed. At first the examination of articles for their recertification was taken away from us. After all, it was possible to see whether an enterprise worked on the elimination of shortcomings or not. Then it was proposed that only primary products be examined. The situation reached a paradox: The same article, which had a lot of shortcomings, was certified successfully three times, whereas, at the same time, improved, new articles received a negative conclusion.

Finally, an expert examination at the esthetic level alone remained—the framework was narrowed down. Now the new draft statute on the procedure for the certification of

industrial products provides for a complete cancellation of the conclusion reached by the Scientific Research Institute of Technical Esthetics. Consumer properties of goods have completely fallen out of the field of vision of specialists. The protocol of testing an article or of checking technical parameters is the only document characterizing them. Meanwhile, there is a special decision on the development of a design and in it the following phrase: "To consider esthetic and economic quality indicators decisive during an evaluation of the quality of an article." It turns out that, on the one hand, it is stated "to consider decisive" and, on the other, bureaucrats do their utmost to exclude these "decisive" [indicators] from the system of state evaluation. Do the "successes" of a number of enterprises in the fight for quality and consumers' interests not stem from this?

**Quantity of Output Produced by Enterprises of the USSR Ministry of Light Industry Rejected During the First Half a Year of 1988 (according to USSR Goskomstat Data)**

	Rejected	In percent of the checked quantity
Cotton fabrics, mill. linear meters	7.2	10.4
Wool fabrics, mill. linear meters	0.3	6.5
Silk fabrics, mill. linear meters	1.2	8.3
Sewn articles, mill.	1.7	7.9
Knitted articles, mill.	1.2	4.9
Hosiery, mill. pairs	0.4	1.3
Leather footwear, mill. pairs	4.3	8.2

That is why the problem of establishing an orderly organized all-Union society of consumers, not merely of units, is so acute today.

We will not forget that today the shortage steers the market and dictates its terms to it. An expert examination at the stages of an article's development has already been abolished. An enterprise manufactures what it wants. Shortage means that everything will be taken. Why to work on improving consumer properties? However, precisely here, under shortage conditions, it is important to carry out an expert examination competently and to give recommendations to the customer. This will spur on lackadaisical collectives to produce better-quality products.

**EKONOMICHESKAYA GAZETA:**

But how are consumers to carry out an expert examination competently? After all, information should be maximally objective here.

**V. Shcharenkiy:**

Only with the enlistment of specialists, for example, at our institute. We can check a fact reported by any member of the consumer society. The results of the check are submitted to the verdict of consumers. Of course, the responsibility is big, because legal proceedings can also arise. However, without specialists equipment, especially complicated one, this cannot be checked. Contact with state organizations is needed without fail.

Of course, the consumer society should be independent. It should have affiliates in regions, a staff, or some specialists for the coordination of activity, for the development of testing methods, and so forth. After all, these will not at all be the standards that are now in effect. For every article it is necessary to find its specificity, to analyze the process of its use by different consumer groups, and to clarify all the situations encountered in consumption. This part of the work is the most complex and serious.

Some of the people attending this meeting are familiar with readers' clubs of customers established at some newspapers. To what has work been reduced here? Essentially, it is constantly a matter of consumers' legal protection: One buys a defective product, but [the store] does not take it back. Another is cheated—the price is set too high. However, there are thousands of such cases. For this there is the Department for the Control of Misappropriations of Socialist Property and Speculation, the State Committee for Standards, the State Committee on Prices, and numerous quality inspectorates. They should be forced to work properly. A repeated duplication should be eliminated—energies should not be wasted on trifles.

The specific nature of activity, in which a certain body should engage, should be singled out. For example, legal protection of consumers' rights. Of course, this is important. Only I believe that many negative cases can be avoided if the State Committee for Standards is forced to fulfill direct obligations properly. Every instruction should briefly stipulate consumers' rights for a specific reason and consumers should strive for the introduction of such an order. This is the way to solve the problem.

**A. Orlov, director of the All-Union Scientific Research Institute for the Study of Public Demand for Consumer Goods and Trade Conditions of the USSR Ministry of Trade:**

I would like to begin with the following proposal: To establish without delay a consumer society with the forces that we have here today. We can no longer tolerate the low quality of goods and food products produced by some enterprises. Our—consumers'—impatience is one of the impetuses for setting this movement in motion. Both ecological problems and the problem of our civic conscience are superimposed here. This movement, which we are discussing today, should contain all this.



Society should help the consumer not merely with advice, but constructively, ensuring his legal protection as a citizen. What to do when you do not know how to understand prices and why and how the cheap assortment is "washed away"? What to do when "dodgers" in the service sphere cheat you?

Consumers come to us at the institute, attempting to understand what should the assortment of goods be now in terms of different population groups. And what kinds of goods should there be in the assortment of pensioners in terms of prices? How to help them? We should help people not only through social funds, but also within the framework of the consumer movement. Our institute is ready to work on this seriously and to establish its unit of the consumer movement. We actively participate in the work begun in Kalininskiy Rayon in Moscow.

We should not typify only some forms of the movement born below. Foreign experience points to this. Let there be clubs, various associations, and rayon societies. Not everything will be smooth, not everything will be within the realm of mature ideas. The point is that this movement is only being formed. The chief thing is to begin to work and to make departments and state bodies reckon with this movement.

**D. Tyaguy, candidate of juridical sciences:**

The problem of legal support for the activity of the societies that are being established now is very important. Each such society needs its own lawyer, because it should receive legal support from a legal advice office or a legal cooperative. Let the legal cooperative look out for the citizen.

When establishing such societies, it is advisable to propose that the principles of their activity be determined legislatively. This does not say that we cannot, on an experimental basis, establish some society on the initiative of the newspaper or some other organizations. The first push is needed. However, there should be no mechanism of a rigid effect on society. It is a question of its independence.

[passages omitted]

**V. Sokolov, candidate of technical sciences:**

I would like to go back to foreign experience, from which we can concretely take some elements for ourselves. For example, Poland's Federation of Consumers. The entire work in it takes place in localities through clubs. There are more than 100 such clubs. It is interesting that clubs specialize in problems; for example, in Cracow, in meat products, in Szczecin, in housing services, and in Poznan, in grain products. A center for investigating the quality of goods was established in Cracow. In each of these clubs a lawyer receives citizens once a week and gives them recommendations.

The following form of work proved to be very effective and should be adopted: A club regularly organizes meetings of consumers with representatives of local authorities, trade, and manufacturing plants and with newspaper, radio, and television correspondents. The meetings are broadcast on television and in this way all the society's members in the country, seemingly, participate in them. Its information bulletin also unites everyone.

The society carries out a long-range strategy in preventive work. It takes part in the drafting of government documents and laws concerning everything that has a bearing on consumers. The federation's representatives also participate in the work of several commissions of Poland's Sejm.

#### **EKONOMICHESKAYA GAZETA:**

We were interested in finding out from workers at the apparatus of the RSFSR Supreme Soviet: Were they ready to make contacts with the consumer society if it existed? They answered that they did not see "points of contact."

**V. Sokolov:**

It is a pity. International experience says openly: This is advisable. With regard to the publication of materials for the society's members, they should include rules of exchange and return of goods, rules of use, drafts of various departmental documents, lists of cooperatives in various cities with an indication of the products manufactured by them, and telephones and addresses of people engaged in individual labor activity. And, naturally, the results of evaluating the quality of work done by cooperative and individual workers should be published. They should know: The customer and the consumer keep an eye on them. An information reference system and a bank of new ideas for the issue of paid information and suggestions can be organized subsequently.

**A. Deryabin, head of a sector at the Institute of Economics of the USSR Academy of Sciences, doctor of economic science:**

It is difficult to overestimate the importance of the press in the society's formation. EKONOMICHESKAYA GAZETA can play a big role here, especially at first. An editorial council should be established out of those present at this meeting. Help should be provided in the organization and preparation of appropriate materials. Perhaps, to begin with, two or three major problems should be tackled. The chief thing is to act for an improvement in the quality of foodstuffs and to uncover specific slipshod workers in this system.

**Number of Rejected Foodstuffs During the First Half a Year of 1988 (sample check by state inspectorates for the quality of goods and trade of the system of the USSR Ministry of Trade)**

	Rejected (thous. tons)	In percent of the checked quantity
Sausages	0.9	6.3
Fish and herring	4.6	9.3
Margarine	1.2	10.9
Milk and dairy products	2.0	4.3
Cheese	0.4	6.0
Eggs, mill.	7.3	27.2
Bread and bakery products	1.6	5.1
Canned fruits and vegetables, mill. standard cans	16.7	10.2
Canned fish, mill. standard cans	4.4	9.8
Nonalcoholic beverages, thous. deciliters	309.2	14.7

Often, when buying a product, we do not know its recipe. In the meantime many enterprises violate the sausage production standard. We should explain to the producers of this sausage that, after all, they are also consumers, they are also citizens, and they will also have children.

And what about manipulations with prices, for example, in domestic services?

**To the Attention of Moscow Consumers. First Information of EKONOMICHESKAYA GAZETA: Be Careful During Payments for These Services**

**Data of the Check on Observance of state price discipline by enterprises for domestic and municipal services for the public in the city of Moscow in 1987 (from the report of the USSR State Committee on Prices)**

	Proportion of enterprises in which violations were uncovered (in percent of the total number of checked ones)
Clothing repair and tailoring shops	55
Photographers' shops and studios	90
Barbershops	68.5
Dry cleaning establishments	36.0
Laundries	40.0
Watch repair	37.5
Jewelry shops	100
Zelenograd Administration for Domestic Services for the Public	100
Public baths and saunas	88.0
Ritual services	100

Total enterprises of the Main Administration for Domestic Services for the Public of the Moscow City Executive Committee	66.5
Building operation managements of the Main Housing Administration of the Moscow City Soviet	75
Motor vehicle and technical service enterprises	100

**S. Lyumla, head of a department for working youth of the Central Committee of the Komsomol (All-Union Leninist Communist Youth League):**

Whereas today the producer, restructuring the economy, is moving forward, obtaining the maximum profit and benefit, the consumer often incurs losses. Probably, young people are especially interested in the protection of their consumer rights and interests. After all, their earnings are also lower. Therefore, the Central Committee of the Komsomol comes out unequivocally in support of the consumer society. Let it become a reliable guarantor of the rights and interests of every man.

I would like to express several views, which could be used.

First of all, we should not "get stuck" on one type of activity. We should take the full spectrum of human needs, beginning with transport and ending with problems concerning the work of kindergartens and everything that man consumes.

Second. We should ensure control over the service standard.

Third. We should ensure control over the quality of goods and services, operating conditions of enterprises and transport facilities, and matters concerning the placement of service enterprises and stores. We can and should affect all this.

However, I absolutely do not agree that we must only proceed from below, establishing local clubs, laboratories, and associations. Work should be carried out simultaneously both below and above with the establishment of a low-level link and of a coordinating center. The Central Committee of the Komsomol is ready to take the most active part in the society's work. A delay is useless.

We should establish a sponsoring work group at our meeting right now and begin the drafting of normative documents. We should work out a charter and determine the functions of our society's activity, the financing procedure, and interactions with other public and state organizations.

[passage omitted]

**M. Zabelina, senior scientific associate at the All-Union Scientific Research Institute of Standardization:**

I would like to draw attention to a fact, which is not very well known to most people who are not specialists. A committee for consumption problems was established within the framework of the international organization for standardization as long ago as 1977. Owing to the lack of an exhaustive definition of the term "consumer," it determined the following in its resolution: Certain members of the broad public, who buy or use consumer goods, services, or property for personal aims, are meant by "consumer."

Why do I focus attention on this term? According to the directive document the USSR Ministry of Trade is the final consumer of consumer goods in our country. And if society does not raise the question of changing the final concept of "consumer of consumer goods," it will be very difficult to protect the rights of present consumers. It was stated correctly that we should also protect ourselves against light-fingered trade workers.

With regard to the International Organization of Consumer Unions, if we set for ourselves the task of becoming its members, we should know: The status of this organization is very independent. A national organization of consumer unions, which does not have representatives of producing, trading, and state firms, can become its member. We should be guided by this in the basic directions of our future society's activity.

Unfortunately, the triangle "consumer-producer-trading organizations" has not become a love triangle in our country. The fact that today we protect the consumer out of necessity indicates that we protect him both against the producer and against trade organizations. In our work we must take into account the mistakes made by other founders and newspapers. For example, there are more than enough trade representatives in the correspondence club of NEDELYA customers. This should not be so.

Another factor. We say that the press of the organization of consumers should become their guide in the information flow. Today, if we look at the situation realistically, to be sure, at least at the first stage, when everything is only beginning, it is advisable to more widely take advantage of the opportunities offered to us by the State Committee for Standards and the State Committee for Science and Technology from the point of view of obtaining independent information on the quality of goods.

**K. Kulikova, deputy chief of the State Inspectorate for Controlling the Quality of Drugs and Medical Equipment of the USSR Ministry of Health:**

How do we visualize the work with the consumer society? First of all, our state inspectorates in localities can present information and materials for publications on

the quality of drugs, which are now issued by various institutions and enterprises of the medical industry. This work is important and necessary. To make such materials accessible to the wide public, first of all with the help of EKONOMICHESKAYA GAZETA, is very important. This also means to form public opinion in a direction necessary for the consumer.

We can also offer our drug control base—our laboratories in localities. We consider the establishment of the consumer society with the help and support of EKONOMICHESKAYA GAZETA an extremely necessary and timely measure and agree to cooperate with it.

**V. Bondarenko, scientific associate at the Institute of Economics of the USSR Academy of Sciences:**

It is necessary to make all enterprises dependent on final results and on the satisfaction of people's final needs. Today the indicator concerning the level of satisfaction of needs is a complete abstraction. We cite very insignificant figures. A specific indicator is not measured. Can this indicator—the level of satisfaction of needs—be measured? Yes, it can, but only if the need is announced "by man." Then the enterprise will be oriented toward him. It seems to me that this announcement of needs should be made through a consumer association.

**S. Tryashin, deputy chief of the Main Administration for Price Control of the USSR State Committee on Prices:**

I would like to say that we are directly interested in the establishment of a consumer society, control over the observance of prices, and prevention of their excessiveness, because excessive prices "do not cure the economy, but corrupt people." Public commissions for the control of prices, rates, and trade rules have now been established on the initiative of executive committees of soviets of people's deputies. We lean on their help in many respects.

I would like to cite the following example: In the Moldavian SSR in 1985 these public commissions under executive committees of soviets of people's deputies were abolished. After that the degree of violations in the application of prices in the spheres of services for the public almost tripled. This is the result of the fact that the public ceased to control and to create obstacles for trade workers.

Therefore, we are in favor of close cooperation with the consumer society as well. Moreover, I will say that we can cope with trade enterprises and enterprises for domestic and municipal services for the public only with the help of the public. We cannot lift such a "load" ourselves. There are specific features here. Let us take services for the public without receipts, when the cost of services is written out on a receipt and then this receipt is destroyed. Try and check this.

**V. Nemadyslin, deputy director of the All-Union Scientific Research Institute for the Study of Public Demand for Consumer Goods and Trade Conditions:**

Within the occurring social changes—expansion of glasnost and intensification of democratization—the establishment of a society for the protection of consumers' rights and interests is a major task, which should be



accomplished. However, I think that under cost-accounting conditions to talk about the establishment of this society and not to discuss financial matters is simply a useless occupation. The AUCCTU [All-Union Central Council of Trade Unions] is the most suitable organization in this respect. The AUCCTU really helps such formations right now. Why should we not take money from it?

#### EKONOMICHESKAYA GAZETA:

Before we take [money], we should give thought to the fact that, unfortunately, the consumer at times also has to protect himself desperately against a number of trade-union enterprises. For example, this is how the AUCCTU is concerned about meeting our cultural needs.

#### Fulfillment of the Plan for the Volume of Sales of Cultural Services in 1987 (according to the data of the USSR State Committee for Standards)

	Plan	In fact	Percent of plan fulfillment
	in mill.rubles		
USSR Ministry of Culture	802.2	831.1	103.6
USSR State Committee for Cinematography	890.3	882.3	99.1
AUCCTU	118.8	76.3	64.2

This is how the AUCCTU meets needs for recreational services:

#### Fulfillment of the Plan for the Volume of Sales of Sanatorium-Health Resort and Health-Improving Services in 1987

	Plan	In fact	Percent of plan fulfillment
	in mill.rubles		
Throughout the USSR	1850.2	1985.9	107.3
AUCCTU	1171.1	1025.9	87.6

With the workers' high unmet demand for these types of services many medical and health-improving institutions of Krasnoyarsk, Kaluga, Irkutsk, Ivanovo, and some other soviets for the management of health resorts of trade unions were used only 50 to 60 percent.

Many trade-union health resorts did not activate their work on enlisting on a leasing basis available private housing for accomodating individuals arriving for rest and treatment without passes. The central council for the management of health resorts of trade unions now has only 200,000 places in the private sector.

Work on offering in sanatorium and health-resort institutions domestic and other paid services not included in the cost of passes is carried out inefficiently. In the system of the central council their proportion in the total volume of paid services provided by sanatoriums and rest institutions amounts to only 7.4 percent and about 6.5 rubles per person.

This is information for thought. Although, of course, consumer societies should lean on all public organizations, including on the largest of them.

#### V. Nenadylshin:

There is a suggestion that the pavilion for goods and services of the USSR National Economic Achievements Exhibition be used as the initial material base. This is a splendid pavilion, which makes it possible to expand laboratory research and exhibits of different goods.

#### Instead of Comments

The participants in the meeting with an absolute majority of votes adopted the decision to officially register the birth of the consumer society under EKONOMICHESKAYA GAZETA. The sponsoring group began the drafting of the charter and basic directions of its activity. The editorial department will constantly inform readers of the course of this work.

#### The following conducted the club's meeting:

Yu. Tartanov, editor in the Department of Labor and Development of the Social Sphere of EKONOMICHESKAYA GAZETA, and special correspondent V. Golovachev.

#### Reasons for High Prices in Light Industry Assessed

18270024 Moscow EKONOMICHESKAYA GAZETA in Russian No 43, Oct 88 p 17

[Article by Ye. Gumilevskaya, senior scientific staff worker of VNIIEtsistem [All-Union Scientific-Research Institute for Trading-System Economics]: "Why Are Contract Prices High?"]

[Text] There are still few commodities of light industry for which contract prices have been established. Although in 1987 the production of such commodities had grown 28-fold over 1982, their share in USSR Minlegprom [Ministry of Light Industry] output increased altogether from 0.2 percent to 5.3 percent. However, the practice of using contract prices is being expanded, and it is important now to inquire into how justified their level is.

As research conducted by our institute has indicated, contract-price levels for especially modish goods have exceeded prices for similar items of the ordinary selection by 30-300 percent. But do these commodities always

actually conform to fashion? Is the high price always justified? Unfortunately, these products cannot always be considered fashionable, and, what is more, they often have not been manufactured in the best way. As a result, in some stores the share of commodities at contract price that have been marked down and returned to suppliers reaches 20 percent of the receipts volume.

Why is it that the contract price level is overstated? It is often heard that workers of industrial and trade enterprises are interested in high contract prices because there is a special procedure for determining profit and income from producing and selling them, a special system for awarding bonuses. Is this so?

#### Are Bonuses Too Great in Industry?

In 1987 the amount of supplementary profit for USSR Minlegprom enterprises from selling commodities at contract prices in was 270 million rubles, which is 13.6-fold the 1982 amount. However, we shall not rush to conclusions. For the magnitude of these funds in and of itself still proves nothing. How they are used is important.

It has been established that 15 percent of the supplementary profit goes to awarding bonuses to workers for producing commodities for contract prices. Is this a lot or a little? At a glance, the percent is impressive. But we are making a comparison with the awarding of bonuses for producing commodities of improved quality with an index of "N" sold at temporary prices. The percent of withholdings here is the same. The labor intensiveness of manufacturing commodities with an "N" index is lower,

#### Share of Additional Profit from Selling Commodities for Contract Prices in the Total Balance Sheet Profit of Enterprises, and the Estimated Amount of Bonuses Actually Paid Out Per Worker for Total Output of Modish Commodities at Contract Prices and of Commodities with an "N" Index at Temporary Prices

Association or enterprise	Share of additional profit in the enterprise's balance-sheet profit, %	Bonuses paid per month, rubles
Moscow Footwear Commodity-Production Association Zarya	21.2	9.2
Moscow Production Association for Output of Outer Knitwear	20.4	13.9
Moscow Footwear Production Association Burevestnik	18.0	4.2
Moscow Footwear Production Association Vostok	8.4	2.1
Riga Garment Production Association Rigasapgeros	4.2	5.6
Riga House of Fashions	23.8	9.2
L'vov Garment Production Association Mayak	3.8	7.2

There is more. As is well known, 40 percent of the additional profit for producing new-style commodities and especially fashionable articles goes into the production-development and social development funds. But the enterprises in most cases cannot use these funds in the full amount: the system for the funded distribution of resources is still retained, and there are none of the necessary materials and contractors.

But is the establishment of a different procedure for distributing and using standard and supplementary

and the quality requirements for novelty commodities are not as high as for articles sold at contract prices. The amounts of output of commodities with the "N" index are great, which is why absolute withholdings for bonus awards for their production, as a rule, are much higher than for especially fashionable commodities.

For example, in the cases of the Moscow Footwear Production Association Burevestnik and the Minsk Garment Production Association imeni Krupskaya they are higher by 4-fold. In 1987, for the Burevestnik Association, the estimated withholdings for bonus awarding for producing commodities with the "N" index per worker per month were 13 percent of the average monthly wage.

Moreover, restrictions on the size of bonuses for total output of commodities for contractual and temporary prices have been introduced; since 1985 these bonuses have not been broken down. And in charging extra for the authorized total bonuses, one can be limited by the funds for the production only of novelty commodities.

What is the conclusion? Although the share of additional profit from selling commodities at contract prices is great in the total balance-sheet profit of many enterprises, actually the amounts of bonuses paid to workers can hardly exert a considerable incentive effect.

On the average, as is apparent from the table's data, they usually are less than 10 rubles per month, and only at the Moscow Production Association for the Output of Outer Knitwear are they about 14 rubles. The survey was conducted in 1987, but the picture revealed is typical also for this year.

profit, which is included in the contract price, desirable at all? It would seem that the procedure is artificially retained from previous times, from the old economic mechanism. Under full economic accountability, the approach to the distribution of profit should, in our view, be unified, so that the role and significance of this indicator will be raised.

What is happening now? Forty-five percent is now deducted into the budget from supplementary profit for the output of especially modish commodities, and 55 percent remains at the disposal of the enterprise. The

standard profit is distributed in accordance with the established standards within the enterprise's total balance-sheet profit. Since the standards for deductions into the budget and for higher organizations are great in light industry, only 10-35 percent of this standard profit remains at the disposal of enterprises.

We emphasize that only supplementary profit can be used for developing the production of commodities for contract prices and for motivating worker output. Its size cannot be increased within the framework of the contract price by reducing the standard profit of the manufacturing enterprise, since, in so doing, manufacture of the commodity can prove to be a loss—the expenditures will not be repaid by the standard profit. In such a case, is a special system for distributing profit needed?

#### **Trade: Bonuses are Restricted**

Now about trade. For trade, what is the main thing under the new management conditions? Economically accountable income. Given the sale of commodities at contract prices, it can be increased by the manufacturing enterprise's granting additional trade rebates to trade, which are envisioned in the contract price. It is clear that, where the trade rebate is increased, the industry's supplementary profit in the contract price is reduced. Therefore, manufacturing enterprises are not especially interested in incentives for their trade partners.

The share of additional trade rebates—supplementary income—in the gross income of large department stores, company stores, and stores of the "Commodities for Youth" type is not great. For example, at Moscow's GUM [State Department Store] and TsUM [Central Department Store], it is 1.2 percent, the Pervomayskiy department store 2.5 percent, the Moskvichka 4.6 percent, the Molodezhnyy less than 7 percent, and the Zarya Association's Obuv chain store 11 percent.

Consequently, neither are the withholdings from additional trade rebates on especially fashionable commodities great for advertising (60 percent) and bonus awarding (40 percent). Also, at the Obuv chain store, in the commodity turnover of which the share of articles on sale at contract prices in 1987 was about 33 percent, the total of bonuses paid per worker for accelerating the sales of such commodities averaged less than 8 rubles per month, at the Moskvichka and Pervomayskiy department stores 3.7 rubles and 0.4 ruble, respectively. Incidentally, the bonus fund in these stores was used almost completely.

But are there also trade enterprises where supplementary income from sales of commodities at contract prices is adequately great? Yes, there are—for example, the Moda stores and some chain stores. However, withholdings from bonuses in such stores cannot be used in the full amount because of restrictions on the total size of the bonus per worker—0.75 of the monthly wage rate and salary rates per quarter. In Moscow's Moda store, the

size of the deductions for bonus awarding for speeding up sales of commodities at contract prices was 184,000 rubles in 1987, or about 46 rubles per worker per month. Actually, the sum of bonuses paid out was 61,500 rubles, or 15 rubles per month per worker. This is one-third of what could have been paid out.

Thus, one speaks about special systems of bonus awarding, but little is given to the collectives of both industrial enterprises and trade enterprises for producing and selling commodities at high contract prices.

#### **As Before, It Is the Dictate of the 'Gross'**

Why is it that industrial and trade enterprises are economically motivated toward high contract prices? Because of the fact that they facilitate the fulfillment of total cost indicators, which still play a considerable role in evaluating the work of collectives. High contract prices are the result of the tendency to manipulate the notorious "gross", which has been retained. A push against what has long been condemned is pretended here, but the practices of bull-headed planning are still preserved.

Under the new conditions enterprises are not always given a well-founded and high level of source data for planning, because of which the plans have to be tightened. In this way the USSR Ministry of Light Industry tries to resolve a task that is hardly easy—that of balancing high demand with a supply of commodities that are inadequate in both quantity and quality. Thus, in 1987 the USSR Minlegprom goal for producing articles at contract prices exceeded 3-fold the level of the output thereof in 1986. The Ministry goes on to establish such goals, knowing that the enterprises lack the necessary supply, equipment and raw-materials base. For example, the Riga House of Fashions produces practically 100 percent of its footwear and 92 percent of its garment products for contract prices. The raw materials received for producing them is almost completely second class and sometimes even third class. This being the case, is it possible to carry out such tasks? Only by raising price levels too much. The consumer, who has practically no influence on contract price levels or the quality and variety of articles, suffers from high prices and inadequate quality.

#### **Consider the Consumer's Interests**

Contract prices in and of themselves answer completely to the ideology of the new economic mechanism. But they converted to this mechanism from the abnormal skewing of the old management mechanism. Consequently, the matter of the validity of contract price levels has been closely associated with solution of the general tasks of shaping the new economic mechanism and surmounting the dictates of the "gross," of the "expense" approach. Management practice already



today enables the formulation of a number of propositions that touch on the price-setting mechanism and a more complete consideration of the economic interests of the maker, the seller and the buyer.

First, the economic substantiation of contract prices can be strengthened. It is desirable to make an estimate of the minimal price for a new article in accordance with an overall scheme for determining the retail price. Based on the minimum price, and taking into consideration the quality of the commodity, its conformity with fashion, and the relationship of supply and demand, industrial and trade enterprises could then establish the contract price. For the time being, such a basis is lacking: at first, an unjustifiably high contract price is established, and then, based upon it, the wholesale price is figured.

In our opinion, low-level regulation of supplementary profit for industry and the contract markup should be removed. At present, a contract price for especially fashionable articles cannot be established if the industrial enterprise's additional profit is less than 15 percent of the contract price when that price is less than 100 rubles, or 10 percent when it is more than 100 rubles. The contract markup cannot be less than 30 percent above the price of a counterpart commodity. It is clear that such conditions literally push for higher prices.

Second, the incentive role of contract prices for enterprises of industry and trade must be intensified. For this purpose, supplementary income (the difference between the contract and the minimal price) could be divided between the industrial enterprise and its trading partner within a definite standard ratio.

As a rule, trade profit makes up one-fourth to one-third of price-list trade rebates. Consequently, the ratio between standard profit for industry and trade profit in the total amount thereof is, according to estimates, from 80:20 to 70:30. Based upon this, the ratio between the supplementary profit of industry and the additional income of trade can be adopted at the 75:25 level. It is desirable not to differentiate the standard and the supplementary part of profit and income in industry and trade, but to distribute and use it in a unified fashion, unlike the existing diversified-channel mechanism of distributing them. This will preclude contradictions between the standard and the supplementary portions and will greatly simplify recordkeeping. And, finally, restrictions on the amount of bonuses must be removed.

Third, the consumer must be included in the process of establishing and changing contract prices. In a saturated market this is done automatically. Where demand is unsatisfactory at the first stage, the following can be proposed. It is desirable to coordinate the amount of income of the industrial and trade enterprises with the indicator of sales intensity; doing so will characterize the degree to which the commodity conforms to the purchasers' demand.

It can be defined as the ratio of the remainders of commodities to the amount that has arrived, upon expiration of the agreed period of the contract price's effectiveness. When sales effectiveness is reduced over a certain scale, it is desirable to reduce the amount of supplementary income in the contract price, and that means also the price itself.

Such a scale could have the following form:

Indicator of intensiveness of sales, %	Size of reduction of supplementary industrial and trade income, %
Less than 10	—
10-30	25
30-50	50
50-70	75
More than 70	100

Prices could be reduced by means of an interbranch price-risk fund, which could be formed through the resources of similar funds of trade enterprises and supplying enterprises. The resources of this fund should be in the hands of trade, for in this case it will not depend upon the supplier in the matter of reducing the contract price when demand for the article changes. The responsiveness of the work of trade enterprises when market conditions change rapidly will be increased. All this will, in our opinion, raise contract prices under the new management conditions.

**ESSR Internal, External Trade Balance Examined**  
18270050 Tallinn SOVETSKAYA ESTONIYA  
in Russian 27 Dec 88 pp 1-2

[Article by Ya. Tolstikov, chief of the industrial section of SOVETSKAYA ESTONIYA: "Imports-Exports in the Mirror of Statistics"]

[Text] Questions related to the balance of the exportation of republic products to Union and foreign markets and the importation of products to Estonia from other regions of the country and also from abroad are now bothering many people. And this is not surprising, for on the agenda are tasks of practical implementation of the concept of "self-managing (i.e. khozraschet) Estonia." Here we must definitely know whether or not we will be able to feed ourselves, whether the standard of living will rise, whether interrelations with other regions of the country will be arranged exclusively on the basis of equivalent or mutually advantageous commodity exchange, when we can hardly expect help from the center in the form of certain additional deliveries or allocations. Khozraschet, as we know, is a strict (and to a certain degree even cruel) system: for your own needs you will be able to spend only that which you yourself are able to earn...

The Estonian SSR State Committee for Statistics at the present time is completing a large amount of work that describes the republic's economic ties and the significance of these ties for the development of the ESSR national economy. Up to this day, economists when analyzing the republic import-export balance have been able to use the data for 1982. The current work is based on a one-time investigation of 1987, which one might say gives the freshest data (such statistical investigations are conducted once every 5 years).

Now we can better evaluate the total value of products imported by the republic and those produced by its national economy, and the total value of products we shall have to import to satisfy our needs.

Commodity exchange is only one of the aspects that characterize the extremely diverse ties between Estonia and the country. In fact they are much broader than this. The republic national economy has developed in the postwar period as an organic part of the country's unified national economic complex. It is impossible and inexpedient for a small economic region—in our case the Estonian SSR—to produce everything for itself. A closed economy, which oriented toward the utilization of only its own natural resources and calculated for the sale of products only on the local market, never has been and cannot be highly effective. And, conversely, economic ties, as a rule, contribute to growth of the effectiveness of production and promote its intensification. Calculations done in the Institute of Economics of the ESSR Academy of Sciences showed that the republic's participation in Unionwide division of labor and the country's foreign economic ties enable it to save a minimum of 15 percent of its fixed production capital and about 15 percent of the workers employed in the sphere of material production.

At the same time many shortcomings and disproportions that have existed in the country's economy as a whole—excessive centralization of the management system, a narrow departmental approach to the development of the branches (sometimes through purely extensive methods)—have inevitably exerted and continue to exert their negative influence on the state of affairs in the republic national economy as well.

The investigation of these problems is a most interesting subject. And, undoubtedly, it is unusually complex. In the present article an attempt has been made to answer certain questions related to the import-export balance. And these answers, as the reader will undoubtedly notice, are sometimes given in summary form. More detailed answers would require special research. And certain of the answers will possibly be followed by more questions. Well, if we succeed in causing the reader to think, one might say that one of the basic tasks of the present article has been achieved.

Workers of the ESSR State Committee have contributed actively to its writing: the committee's deputy chairman, E. Reytchnik and economists of this committee's administration for balancing the national economy, A. Zotova, G. Lukyanova, and A. Kuzina. The article is arranged in the form of questions and answers. But one cannot assume that the questions were asked by only one side (the journalist) while the other only gave answers. Sometimes both were formulated collectively and were the result of an exchange of opinions of the parties and of their joint reflections, which were recorded by the journalist.

[Question] The newspaper's readers and residents of Estonia will probably be interested in what specifically is imported and exported. We shall consider this our first question.

[Answer] First about that which is exported from Estonia to other regions of the country. These are mainly machine building and instrument building items (radio equipment items, excavators, electric engines, and all kind of metal items), light industry products (cotton and woolen items, knitwear, footwear, leather items, and so forth), fish and fish products, meat and meat products, milk and dairy products, confectionery items, and furniture. We also export electric energy. Items that are exported, that is, within the USSR include fish preserves (almost half of all the exports), products of the electrical equipment industry, excavators, various instruments, furniture, knitwear, sewn items, and products of the liquor industry.

Now about what is imported into Estonia from the other republics. This include mainly products of petroleum processing, ferrous and nonferrous metals, mineral fertilizers and other basic chemical products, products of the electrical equipment and radio equipment industry, motor vehicles, agricultural equipment, ship building products, cotton fabric, wool, and paper. The republic's needs for sugar, vegetable oil, and tea are almost completely satisfied through imports; we import natural and artificial leather, footwear, many plastic items, and products of the wine making industry.

Through imports, that is, shipments from outside the USSR the republic receives, in particular, sewn and knitted items, items of the leather and footwear industry, products of machine building, agriculture, and the food industry, and many other things.

It must be emphasized that these are generalized figures. But it seems to us that they give a certain picture of the imports and exports.

[Question] And how does the balance take form in monetary terms?

[Answer] In 1987 we shipped out 2,731,000,000 rubles' worth of products outside Estonia (not including exports outside the country), and we brought in (not including

imports from outside the country) a total of 2,973,000,000 rubles' worth. The total interrepublic commodity turnover last year amounted to 5.7 billion rubles. All this is in the so-called prices of final consumption, which include, in addition to the wholesale prices, markups for trade and transportation.

[Question] There is a special discussion about exports and imports outside the country. But even from the data that have been given one can see that the republic ships in 242 million rubles' worth more of domestically produced products than it ships out. Is this true?

[Answer] Not altogether. The fact is that according to the methods we have adopted for calculating the balance of the national economy, one includes in the national income utilized on the territory of the republic goods purchased by travelers from other regions of the country and tourists from abroad which are thus "shipped" outside the republic. At the same time the consumption of the republic's consumer goods outside the republic is taken into account in the places where this money changes hands, i.e. in other regions. In this case, this kind of unique shipment of approximately 262 million rubles' worth of goods exceeds the quantity that is brought in. If we take this circumstance into account we receive quite a different picture of the interrepublic exchange of domestic goods. The balance of this exchange (that is, the difference between that which is brought in and that which is taken out) in this case, according to figures for 1987, is 20 million rubles (in favor of that which is brought in).

[Question] Are the products of such enterprises as Dvigatel and Baltiyets included in the overall total of the republic balance?

[Answer] Yes, these products are also taken into account.

[Question] Energy bearers are the subject of a special discussion...

[Answer] As was already noted, the republic exports electric energy, but to satisfy its own needs it brings in other energy bearers—petroleum, gas, and coal. For comparison let us note that the importation of such things into the republic exceeds the exportation of electric energy by a factor of 2, and when translated into conventional fuel the difference increases to a factor of 4. Consequently, on the whole the republic has a multiple advantage here—the relatively low prices for petroleum products, gas, and coal are more than covered by the reduced rates for the electric energy we produce when it is sold outside of Estonia.

[Question] We shall return to the problem of circulation of product among the republics. But now about foreign economic ties. What is the situation here?

[Answer] As was already mentioned, in 1987 enterprises and organizations of the republic imported light industry goods (36 percent of the total imports in rubles), grain (12 percent), technological equipment for light industry enterprises, for the food and mixed feed industry and for such enterprises as Talleks, Volta, and Prodmash; motor vehicles of the makes Ikarus and Tatra and refrigerated trucks; various kinds of instruments, and productions of the chemical industry—fibers, paints, dies, and many other things.

And we export approximately one-third as much. The relatively large amount of imports into the republic is in keeping with the quite deliberate policy of unionwide distribution of currency resources. Thus in 1987 revenues for imports from funds allotted by higher organizations for enterprises of union-republic and republic jurisdiction alone amounted to 274 million rubles. As was noted at the meeting of the Presidium of the USSR Supreme Soviet held on 26 November 1988, 50 percent the republic's light industry was provided with imported equipment while on the rest of the territory of the Union this indicator was 37 percent. And it was emphasized at the meeting that this distribution is fully justified: the republic's light industry has its good traditions and experience and it has skilled personnel. So that the return from investments, including currency, should be higher here.

[Question] But still if one looks at the picture as a whole, import deliveries to the republic, as was already noted, exceed exports from Estonia threefold, so there simply can be no question of currency self-recoupment. Moreover, as we know, the proportion of exports in the overall volume of the social product produced in the republic and in the composition of goods shipped out of the republic is small. Where is the solution to the problem?

[Answer] Indeed, in order to maintain imports in the event the republic is changed over to *khozraschet* we shall have to increase our export potential at least three-fold or else stop some of our imports. The former variant, of course, would be preferable, for in the future the republic will continue to need both imported equipment and foreign consumer goods. And it would be desirable not only for the imports not to be reduced but, on the contrary, for them to steadily increase. In order to do this it will be necessary to increase our export deliveries many times over. For currency, like everything else, we shall have to earn for ourselves. And, as economists suggest, it will be possible to do this primarily through creating (and exporting) science-intensive kinds of products, developing mutually advantageous cooperation with other regions of the country, and also with foreign firms. As we know, the variant of creating in Estonia special economic zones where the conditions would contribute to attracting foreign capital is also being considered. In a word, the problem of expanding exports (and, naturally, imports) under the conditions of the IME acquires special, possibly primary, significance.



It must also be emphasized under the current non-khozraschet conditions, the import-export balance essentially tells us nothing. What we manage to "scare up" from imports through central agencies is all for the good, but we still do not always manage to purchase what we mainly need, that which will produce the greatest economic effect. This is why again and again one is convinced of the need for regional khozraschet. Then and only then will we be able to really count our money. As a result, not only the republic but the USSR as a whole stands to gain.

[Question] We know that the wholesale prices and rates that are not in effect are imperfect, to put it mildly. Does this not result in certain distortions in the import-export balance? We know that the per capita national income in Estonia is 20 percent higher than Union average, and in terms of the per capita output of industrial and agricultural products the republic exceeds the Unionwide level by even more. Everyday experience suggests that under these conditions with an equivalent exchange of products, the quantity shipped in can in no way exceed the quantity shipped out, and any discussion of the notion that we are supplied with certain goods at the expense of an "uncle" from another region are simply groundless. Is this not so? At the same time if even from the sum that characterizes the amount by which imports exceed exports one subtracts the positive (in favor of goods shipped out) balance of the republic commodity exchange of 20 million rubles, we still receive a significant "preponderance" of goods shipped in of several hundred million rubles. What can one say about that?

[Answer] One can understand the question posed this way. But here is what must be taken into account here. The entire country's imports are still supported, to our disgrace, largely by exports of petroleum and gas and also certain other kinds of raw material. Prices on the world market are favorable for our country—we are being given great opportunities for importing goods. And vice versa. As concerns our domestic prices, here indeed there are many cases of a lack of correspondence. We know that certain kinds of Estonian products, and above all meat and dairy products and also electric energy, are sold outside the republic at a price lower than their real value, and moreover there is a state subsidy for meat and milk, which distorts the balance of goods shipped in and out, and not to the advantage of the republic. All this is true. But this is only one aspect of the matter. One must not be silent about the other aspect either. Agricultural equipment (in spite of the relatively high prices for it which do not correspond to the qualitative parameters), mineral fertilizers, cotton, wool, leather raw material, and sugar are shipped into Estonia from other regions at prices that are also lower than their production costs.

In order to obtain a picture that is closer to reality, the State Statistical Administration did one more calculation of goods shipped in and out—in prices with the same level of profitability, which was equal to 16 percent for all kinds of products (not including turnover tax and

not including subsidies from the budget—according to data for 1986. This calculation showed that the difference between the domestically produced products shipped in and out is only 7 million rubles (in favor of those shipped in). This amount can be ignored when there is a turnover of several billion rubles. It turns out that goods shipped in and out are practically equal.

But in calculations that are based on a profitability level that is the same for all products (16 percent), there can be certain errors that are caused by the differences in the estimates of the production costs. Therefore one more calculation was done for comparison—in prices of the world market. Of course, this calculation (like the calculation for the equal level of profitability) has purely abstract, academic significance. But it produced very curious results and therefore it too is worth mentioning. It turned out that goods shipped into the republic (including foreign imports) exceeded those shipped out (including foreign exports) by an extremely significant amount—1.352 billion rubles. The fact is that the prices on the world market for the basic kinds of products shipped out of the republic, particularly those of light and the food industry, are relatively lower than those within the Union. At the same time, petroleum products, ferrous and nonferrous metals, gas, and equipment shipped into the republic are relatively more expensive on the world market than on the domestic market. Thus if while observing the principle of equivalent exchange between Estonia and other regions of the country, prices of the world market are used as a basis for implementing the IME program, the republic loses more than a billion rubles, that is, one-fourth of the national income.

[Question] Still one must assume that in our calculations in the future we shall continue to use domestic prices, although they may be adjusted. But here is another question. Sometimes voices ring out: why do we need enterprises under Union jurisdiction? They do nothing or almost nothing for the republic. Take, for example, the Loksas ship repair yard. It recently began to produce lighters which "we do not need." As a result the environment suffered and the migration of the work force increased. In a word, nothing good. Something similar can be said about certain other plants. But what do statistics have to say about this?

[Answer] No, the republic economy does not need lighters as such, in and of themselves, but in exchange for them receive from other republics, say, motor vehicles, refrigerators, or television sets. True, all the strings of this kind of distribution are now brought together in the hands of the USSR Gosnab, and the republic sometimes simply does not know whether or not this kind of commodity exchange is good for us (or for the other party). We do not know! Nobody is taking that into account now. That is the whole point. Only under conditions of complete khozraschet of the regions, when the republic itself begins to dispose of all (or almost all)

of what its national economy produces, including enterprises under Union jurisdiction, only under the conditions of mutually advantageous exchange among regions will it be possible to decide: we shall develop the output of this product in the future and in time we shall remove this one from production, having offered in exchange another one that is more profitable, of better quality, or ecologically purer. And we shall do this—let us emphasize this once again—in the interests both of the individual republics, including, of course, Estonia, and in the interests of the country as a whole.

The existing ties with the country, workers of the ESSR State Committee for Statistics emphasize, cannot be thoughtlessly destroyed when we change over to republic *khozraschet*. Under the new conditions as well Estonia must retain everything that is rational and give a new impetus to the development of these ties.

In conclusion I should like to express my own purely journalistic attitude toward the problem. Thus it seems to me that it is hardly worth speaking about the unshakeability of economic ties between Estonia and the country or the USSR unified national economic complex itself which was created during the postwar years. Is everything here beyond reproach? We are experiencing the negative influence of the purely centralized method of control of the republic's economy and the command-bureaucratic style of leadership to this day, and in all probability we shall be experience it for many years to come. It is no secret, for example, that the construction of a number of enterprises on the territory of Estonia was literally imposed on us from above and the opinion of republic agencies concerning this was not even requested.

As concerns the methods for determining the balance of goods shipped in and out, it is impossible for the nonspecialist to figure out this extremely complex system (or the final results of calculations)—the reader will have to take my word for this. But still when looking in the mirror of statistics, one is convinced: for Estonia interrepublic commodity exchange is fairly balanced—whether it is calculated according to existing wholesale prices or in prices with a unified profitability level for all products. The situation with foreign imports and exports is much more complicated. Here the disbalance (imports greatly exceed exports) is clearly not in favor of the republic. The republic is faced squarely with the problem of eliminating it while realizing the principle of currency self-recoupment of the region.

One more detail. Statistical agencies have repeatedly been subjected to just criticism in the press for the unsubstantiated secret classification of certain statistical data that are of great social interest to the country. And here literally on the eve of the publication of this article, the USSR State Committee for Statistics sent to Tallinn an instruction which prohibits the publication in the open press of the absolute figures for the republic's imports and exports. This is a strange ban that is

incomprehensible in the age of glasnost, especially without any explanation of the reasons. But nonetheless, unfortunately, in this article we had to limit ourselves to relative figures concerning imports and exports.

Repeating myself, I shall say that on the whole the subject of goods shipped in and out is now so broad that it cannot be accommodated within the framework of a single article. Obviously, the discussion will continue.

#### **Resolution Increases Plants' Independence in Goods Production**

18270056 Moscow IZVESTIYA in Russian  
14 Jan 89 p 1

[Article by V. Romanyuk: "Against The Monopoly Of Ministries"]

[Text] The USSR Council of Ministers has adopted a resolution which provides for expanding the independence of enterprises in consumer goods production.

The essence of the resolution, clarified in the Managing Department of the Council of Ministers, is that the rights of working collectives be put into effect in accordance with the Law on State Enterprises. The Law proposed that an enterprise assume responsibility for the technical level and quality of production. But how was this responsibility to be carried out? Together with this proposal, the 1981 Council of Ministers' Resolution continued to operate, having defined the responsibility of the head ministries for satisfying the demands of the population for specific groups of everyday, household goods.

In the country, 100 head organizations from 30 ministries operated by producing 80 different types of goods. It had its own logic: to ensure compliance of produced goods, in various branches, with modern standards, and to saturate the market with all that is essential. However, negative aspects gradually appeared, first and foremost, monopolism in the activities of the head ministries. Some of them simply began to hinder the processing of others [enterprises], be it for dryers, irons, or vacuum sweepers.

It was a well-known fact when the former Ministry of the Automobile Industry prohibited the Ministry of Heavy Machinery Manufacture from producing trailers for automobiles of the type "Skif." The consumers were the ones who suffered the most. In Sverdlovsk, the author of these paragraphs had the opportunity to meet representatives of a Kharkov enterprise, who arrived at the head organization of the USSR Ministry of Ferrous Metals, located in this Ural city, to coordinate production of tableware samples. Often similar kinds of agreements and various kinds of consultations have dragged out for almost a year. Under new economic conditions, the system of head ministries has not just become a hindrance in organizing the production of new items, in saturating the market with articles which the population demands.

It is true that such a system was convenient for Gosplan for it facilitated the calculation of volume indicators. This volume certainly did not make the consumers very happy since the selection of articles for the home remained limited, and from indicators of reliability, complex, everyday machines, analogous to foreign ones, were inferior by 30 percent. It is time to reap the benefits of monopolism. We lag behind world standard in an entire group of goods and in the development of everyday video technology, for example, we are behind by an entire decade.

Now the system of head ministries is being abolished. Henceforth, total responsibility for the technical and aesthetic level of consumer goods, their compliance with consumer demand, as well as ensuring reliability and production safety is the direct responsibility of those processing and producing. At the same time, the role of Gosstandart (State Committee for Standards) is increasing in maintaining control over requirements for standards of technical documentation and production certification.

What about the head organizations? They retain their specialization in the area of scientific research and developmental work. However, their function is changing radically. Now enterprises who wish to start producing one or another product, receive the necessary information, for a price of course, from these organizations, about market conditions and other services. Institutes and design offices who have switched over to *khozraschet*, in reality have become an element for accelerating the production of new goods.

#### Production of Cheaper Goods for Elderly Planned

18270036 Moscow IZVESTIYA in Russian

8 Dec 88 p 4

[Interview with Yu.V. Zhukov, chief, Industrial Consumer Goods Division, Bureau for Social Development, USSR Council of Ministers, by V. Romanchuk, IZVESTIYA correspondent: "Cheap Goods for the Elderly"; date and place not given]

[Text] The introduction of complete cost accounting and self-financing has exacerbated the situation in the trade market. Now, as you know, the prosperity of collectives depends on their profits. And one of the consequences of this has been the "washing out," i.e., elimination of cheap goods. To put it in simpler terms, fewer high-quality though cheap footwear, suits, raincoats, and warm, knittwear items are being turned out.

In connection with this, the USSR Council of Ministers has passed a decree containing a complex of measures which are supposed to stimulate the production of cheap goods for elderly persons. This was discussed with V. Romanyuk, IZVESTIYA correspondent, by Yu.V. Zhukov, chief of the Industrial Consumer Goods Division, Bureau for Social Development, USSR Council of Ministers.

[Yu.V. Zhukov] The main thing was to economically motivate enterprises to manufacture goods to be sold at socially low prices. In principle, price groups were planned even prior to this. But, in concluding contract agreements regarding deliveries at wholesale market-fairs, many enterprises simply used to ignore these requirements. As a result, the production of clothing and footwear intended for elderly people declined. During the first half of 1988 the assigned amounts of cheap items were under-fulfilled by approximately 50 percent. Production of suits costing under 80 rubles declined by almost one-half, while inexpensive short coats and trousers declined by one-third. In order to straighten out this situation, we need to take decisive measures of an economic nature. Furthermore, beginning on 1 January 1989, surcharges will be introduced on the wholesale prices of goods for elderly persons.

[V. Romanyuk] What is meant by the phrase "at socially low prices"?

[Yu.V. Zhukov] The fact that we are consciously proceeding to turn out items whose prices we know do not reflect their real cost outlays; we are supporting a low level of prices on goods which are important from the social standpoint. By the way, temporary surcharges for the "N" Index (for new items) can no longer be imposed on such goods.

[V. Romanyuk] Does that mean that goods for elderly people will now become cheaper?

[Yu.V. Zhukov] Because of the elimination of temporary and contractual prices—yes. But retail prices have remained basically stable; what we are talking about here is something else. Higher wholesale prices allow us to level out the profitability of those items which are a bit more expensive and those which are slightly cheaper, and to make them, finally, equally profitable. The additional outlays for stimulating the production of cheap goods will be reimbursed from the state social insurance budget. The total sum of the subsidies will amount to approximately half a billion rubles. Moreover, it has been established that all the profits obtained by the increase in the production of cheap goods (as compared to last year's level) shall remain at the collective's disposal. Note that what we are talking about is not above-plan output in general, but about the increase specifically in cheap items.

[V. Romanyuk] And will it be possible to manage this without using high-pressure levers?

[Yu.V. Zhukov] In principle, yes. Although, in addition to economic incentives, plan regulators are also being introduced. Along with items for children and youths, cheap goods for elderly people have been included in the state orders for 1989. Moreover, not in monetary terms but in physically measured amounts. This means that a state order cannot be fulfilled, as was the case previously, by means of expensive items. In 1989 the output of



garments at socially low prices for elderly persons will increase by 15 percent, footwear—by 9 percent, and knitted items—by 6 percent. What are these goods? Let me cite some of them: a coat costing less than 100 rubles (not counting the cost of the collar), woolen suits—for less than 80 rubles, night-shirts or night-gowns for 6 rubles, boots for 40 rubles a pair, shoes for 15 rubles, and slippers for 10 rubles....

[V. Romanyuk] Pardon me, but some of these items simply no longer exist at these prices. Muscovites have not seen such shoes priced at 15 rubles a pair for a long time.

[Yu.V. Zhukov] Indeed, such footwear is not being produced in Moscow. But throughout the country as a whole during the first 9 months of this year more than 1 million pairs of shoes priced at 15 rubles were produced, along with almost 6 million pairs of low-cut shoes under 10 rubles, and 3.5 million pairs of boots priced under 40 rubles. And now the economic conditions are being created for turning out these items in large quantities everywhere.

[V. Romanyuk] Judging by the condition of the shelves in the trade stores, the requirements of this social group will hardly be fully satisfied even now....

[Yu.V. Zhukov] To be sure, trade's requisition orders are guaranteed to be filled by only about 80 percent. This problem is too acute to be able to solve it in just one year. Some 4 million rubles worth—that's the total amount of cheap items which will be produced for elderly people in 1989. It would seem to be not enough for 50 million people on pensions. But I have not mentioned here goods selling at medium [average] and high prices, which are also being produced for elderly people.

[V. Romanyuk] It would be desirable, at least, that those cheap though high-quality items which will be produced reach their destination—specifically those persons for whom they were intended.

[Yu.V. Zhukov] This question has also been examined. First of all, it is intended to expand the network of specialized sections for trading in cheap goods—these items are being included in the mandatory assortment lists. Furthermore, the sections are organized to take advance orders from elderly persons first.

Of course, we must not fall into the opposite extreme of reducing the output of somewhat more expensive items. Nor do elderly people, so to speak "write themselves off," i.e., they are not averse to having some smart, stylish clothes in their wardrobe, those which are more expensive. Nowadays the whole matter boils down to ensuring that each customer has the right to select purchases in line with his real income and possibilities.

By the way, the USSR Goskomstat [State Committee for Statistics] has been assigned the task of conducting a constant statistical monitoring of the changes in retail prices on goods and to ensure the regular publication of average retail-price indexes. This is also very important. Complete glasnost in such an acute matter as price formation is a factor of no small importance in affirming social justice in the society.

## FOOD PROCESSING, DISTRIBUTION

### Official Interviewed on Advances in Public Catering

18270048 Moscow OBRHCHESTVENNOYE  
PITANIYE in Russian No 1, Jan 89 pp 2-3

[Interview with V. S. Savchenko, chief of the Main Directorate of Public Catering, USSR Ministry of Trade: "The Goal Is the Same, but Approaches May Differ"]

[Text] [Interviewer] The third year of perestroika has ended. What changes have occurred (or are taking shape) in public catering over this period of time? After all, you are very much in a position to evaluate this from the point of view of a person who has recently transferred to a position of responsibility in the ministry from practical work in the "boondocks," that is, on the front line.

[Savchenko] I believe that this can be formulated briefly as follows: our priorities remain the same; they are established by the socioeconomic program of the party. This is why we have primarily emphasized and are emphasizing the development and improvement of public catering at production enterprises, in offices, colleges and schools, where it influences directly the health and mood of the populace, and by this token, labor productivity, achievements in school, stability of personnel, etc. In turn, the principles of our work, our approaches to solving acute problems are changing, though not as fast as we would like. These principles and approaches are set forth in the resolutions of the 19th Party Conference, in the new economic mechanism, in the changing structure of managing the industry. Innovations of perestroika bring about new complications and difficulties, and this is only natural. In order to visualize them, let us analyze the present-day level of public catering. This will make our tasks clearer.

What does our industry amount to today? It amounts to 3 million employees; to 130 million people who, according to estimates, get a meal at a public catering facility daily; and to 30 billion rubles in turnover a year. The share of facilities of the Ministry of Trade in this turnover comes to 52.3 percent, or 15.2 billion rubles. Consumer cooperatives account for 20.1 percent, employee supply divisions and directorates of ministries and departments—for 19.8 percent, and other enterprises—for 7.8 percent. Figuratively speaking, we are the majority shareholder, and, accordingly, our work is the decisive influence on the condition and quality of public catering. The enhancement of material and technical

facilities is the main prerequisite for their continuous improvement. There are real changes in this matter. Over the past years of this five-year plan, our chain of facilities increased by 1.5 million seats. Yet, year after year, various ministries and departments do not meet their quotas for seat increments.

As a result, the rate of provision of seats for various social groups is as follows: workers and employees of producer enterprises—88 percent, students in general educational establishments—96 percent, in vocational and technical schools—81 percent, in VUZes—75.1 percent. The situation is the most difficult in establishments open to the general public—49 percent. We talk a lot about it, but improvements are slow in coming. This problem will not be solved without a serious increase in contributions by local soviets. I believe that the restructuring of the operations, powers and responsibilities of the soviets should be really felt in this sphere as well.

[Interviewer] Nonetheless, let us talk about already implemented changes...

[Savchenko] First of all, we should mention the cooperatives, an innovation spawned by perestroika. To my mind, we have assumed the only correct attitude with regard to them, which is briefly stated in the famous saying: "together rather than instead of [each other]." We will remain faithful to this principle in the future as well. I believe that cooperatives as a form of organization are particularly interesting and bring a lot of innovation, a big potential charge, despite their share in the overall turnover of public catering in our country being low thus far, only about 1 percent. At the same time, it is already clear that a system of life support and regulation of the interests of cooperatives and society within the state system of socialism should be created. This is a complex process.

Finally, new forms of labor organization in state public catering facilities, such as brigade, lease and family contracts, are prospering and developing. They have good prospects both at present and in the future, and they should be implemented more vigorously, I would say, in a revolutionary manner, with the final result, high quality of services to the populace, being our guide. It is exactly over quality that we are criticized a lot, and justifiably so. We should create a system of mechanisms regulating quality. The mechanisms which are already in existence should be repaired urgently and set in motion at capacity. By this I mean not only progressive technology and material and technical resources, but also the competence and professionalism of personnel, labor discipline, economic motivation and the availability of effective incentives for the development of both individual enterprises and the entire public catering sector within the national economic complex.

[Interviewer] Vladimir Sergeyevich, our previous issue carried an article by our special correspondent about public catering in Vitebsk, which you used to manage. I

admit that this was done on purpose: the results of work are the best characterization of the ability of a manager. Is there anything in the experience of your work in the past that you would like to make public and implement everywhere?

[Savchenko] I am not going to talk about my methods. After all, they are not the main point, but rather the results, the goal which I would like to achieve everywhere, the one I have been largely successful in achieving in the previous job. I will put it like this: we should reach such a condition of public catering that it is available and nobody notices it. It is simply available, and it satisfies everyone—at school and in a hotel, at a factory and in a restaurant on occasion of a celebration... This is the way it ought to be, and to achieve this all of us, and our contractors, should put in a lot of work.

[Interviewer] Such is the goal. However, is there a program for achieving it? What do you personally plan to emphasize in your work? This is a question addressed at present to managers of all ranks, especially to those assuming a new post.

[Savchenko] I would like to object immediately concerning this point. In principle, I am not against the notion "managers of all ranks." Now we do not have to measure stages and assign a certain deadline for "maturing" at every stage. At present, a manager, regardless of his rank, must possess high qualifications, be well-informed, educated, etc. As I see it, we have such people at various levels of management.

As far as the program is concerned, we definitely have it. Personally, I intend to emphasize an increase in the prestige of public catering and the people it employs, because these two are inseparable. This will not come about by itself. All of us have to earn respect at literally every work station.

[Interviewer] Let us respond to the question frequently asked by our readers: what changes have occurred in the department entrusted to you in conjunction with the reorganization of the structure of ministry apparatus?

[Savchenko] As far as structural changes are concerned, I may say the following: the directorate has become the main directorate. This testifies to the significance attached to public catering at present. The number of our personnel has decreased somewhat. New and, hopefully, progressive people are coming. However, these outward changes should be followed by the main changes, the ones in the name of which we embarked on perestroika. We are changing our style of operations, approaches, criteria. I may say quite definitively that our work is not going to be measured by the number of papers and executive orders. We are rethinking the development of our industry in the future.

[Interviewer] As you see it, what is the primary orientation given to the employees of our industry by the resolution of the Council of Ministers "On Urgent Measures to Improve Trade Services to the Populace"?

[Savchenko] Conscientious, impeccable—I stress this—performance of our direct duties. With this in view, the government has given us, among other things, the right to resolve an array of issues locally, in an independent manner, proceeding from the results of economic operations and taking into account the economic situation. This is one of the peculiarities of the current stage: we are not instructed who should be assigned, or required to deliver, what and how this is to be done. Instead, we are given an opportunity to use our heads and figure out what is best and most profitable for us, for the populace, and for the country. We should be able to take advantage of this right intelligently, as masters, i. e., to implement the principles of self-management and self-supply on a regular basis.

[Interviewer] Perhaps, this cannot be accomplished without bold experiments...

[Savchenko] ...and they are underway, both locally and at the headquarters of the industry. We support them in every way possible. An experiment involving the use of lease contracts in retail trade and public catering facilities of the USSR Ministry of Trade is one of them. Its purpose is to enhance further the principles of economic accountability, cost recovery and self-financing in our industry. The order was signed by the minister half a year ago. A task force consisting of senior employees of the ministry was set up in order to provide methodological assistance, monitor the course of the experiment and collate the results.

[Interviewer] There are many issues we would like to touch on in our conversation. All of them were suggested by our readers. However, it is impossible to fit them in one interview. Let us touch on one problem which is of concern to everyone, and which has been given extensive treatment in our journal for 3 years now. I mean remuneration. Many people are concerned about new rates and pay schedules: will they not bring about a new round of the very equalization which we are now abandoning?

Will highly productive work by those who work in a new fashion, use progressive forms of organizing production and services, search for new ways be rewarded first of all, or will the moneys of the remuneration fund be distributed in line with the principle "spread the goodies around"?

[Savchenko] Only and exclusively in the former manner. After all, new remuneration guidelines provide for increases in rates and salaries of 30-35 percent on the average. Certainly, actual conditions on the job and physical demands were taken into account.

Pay schedules of public catering employees are now set at par with the pay rates of workers in food processing, which will allow us to eliminate the gap in remuneration. The rates of those working "next to a hot range" will go up by 12 percent. Foremen, chief production managers, heads of shops (divisions), other specialists and personnel doing difficult and unhealthy work will also receive extra pay, the same as workers. Let me also note that all production workers in restaurants, coffee-houses and bars in the "deluxe," supreme and first categories will get a 10-percent increase in hourly rates. Beyond that, reasonable differentiation and a customized approach take over.

Managers of enterprises (associations) are entitled to set, in coordination with the trade union committee, an increment of up to 24 percent of the pay grade or salary of a worker for high professional skills. A highly skilled worker employed in a particularly important and responsible job, may be given a salary of up to 230 rubles per month. In his turn, a manager of a division or structural unit, specialist or clerical employee may be given an increment of up to 50 percent of his salary for high achievements in work and performing particularly important duties.

A brigade leader who is a worker not relieved of his primary duties may receive a bonus of up to 40 rubles a month for managing the brigade, and a team leader may receive 50 percent of the bonus of a brigade leader.

What else is new? We no longer restrict the volume of bonuses for combining professions (posts), etc. I am not going to dwell on it, because new guidelines will be communicated to everyone. They should be studied thoroughly, thought through and used intelligently. Let me zero in on two more points directly related to your question. It is also expected to set bonuses to salaries or pay schedules for employees of the restaurants, coffee-houses, and public catering combines which have achieved particularly high productivity of labor and quality of service. The size of bonuses to one employee is not restricted. Let me note, however, that the new pay guidelines are introduced within the confines of the remuneration fund as enterprises or associations become ready for the introduction. This issue affects all of our activities. We should figure things out very thoroughly, make many things dovetail. I believe that in the process we are going to need the help of other ministries and departments, suggestions from practitioners, advice from people. There may be different organizational and economic approaches. Let us look for them together.

[Interviewer] Unfortunately, many employees of our industry are not aware of the fact that the input of labor and results of labor are not one and the same, that hard work may bring puny results, and, conversely, high efficiency is not necessarily achieved by working your tail off, provided, however, that one condition obtains: new reliable technology is available. Only in this case is labor going to be highly productive, and high salaries



based on the final result will be justified. People know from their sorry experience what the situation is today with regard to machinery and equipment. For example, chief of the Sverdlovsk Oblast Public Catering Directorate comrade Chernykh stated at a meeting of the collegium of the RSFSR Ministry of Trade that even his directorate, which is far from being "poor" in this regard, would only be able to fully equip enterprises and replace worn-out machinery in 20 years. Are our prospects indeed so sad?

[Savchenko] I would not take such an unfavorable view of the situation, though the shortage of equipment for public catering is indeed permanent, especially of small-size high-capacity machinery and equipment. At present, only 66 percent of our orders for domestically manufactured equipment are met, out of which for refrigeration equipment—55 percent, for mechanical equipment—40 percent, for heating equipment—50 percent, and for confectionery equipment—27 percent. This is the actual situation, and we cannot ignore it. However, vigorous measures to improve it are now being taken. As recently as last year, the government adopted several important orders and resolutions with a view to solving this problem. I am not going to enumerate them. Besides, the press has already covered in detail the specific measures envisaged. The main thing is that changes are becoming apparent, and deliveries of various kinds of equipment are up by thousands of units. I am convinced that this is just the beginning, and that in the 13th five-year plan we will achieve a substantial improvement in the filling of our orders and, certainly, stable quality of the equipment. Right now we need to use what we have wisely rather than at a half of full capacity.

[Interviewer] This issue will reach the readers in the very beginning of the new year. What would you like to wish them in 1989?

[Savchenko] I know that the day of employees of public catering is full of problems, major and minor, in need of a solution. Time is very short, and life is hectic. Work in our industry is difficult and responsible for everyone from janitors to managers. People must be strong first of all, though I am primarily talking about women. They account for 87 percent of employees in the industry. After all, women are also guardians of the hearth, warmth, comfort, endearment and tenderness, beauty and kindness. May they not lose these traits, and boost them by vigor, courage in thinking and initiative aimed at benefitting all Soviet people.

Ultimately, this is the goal of our entire work.

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## GOODS PRODUCTION, DISTRIBUTION

**Range of Goods Produced by Defense Plant Noted**  
18270038 Moscow IZVESTIYA in Russian 7 Jan 89 p 2

[Article by N. Lisovenko, IZVESTIYA special correspondent, Krasnyy Luch, Voroshilovgrad Oblast: "Defense Plant Without Secrets;" earlier item on this subject appeared in Daily Report FBIS-SOV-89-003A, 5 January 1989 pp 51-54]

[Text] Recently IZVESTIYA published a talk with I.S. Belousov, deputy chairman of the USSR Council of Ministers, entitled "A Peaceful Profession for a War-Industry Plant." Following is a correspondence from Donbass on the experience of the Standart Plant, which was able to organize the production of high quality consumer goods in mass demand.

It was always accepted that this enterprise should not be mentioned, for although located in the very center of the second largest city in Voroshilovgrad Oblast, it was supposed to have neither buildings, nor workers, nor output, whether missile warheads or night-vision instruments. What was not there did not exist. It was simply under the jurisdiction of the respective ministry, which explained the entire strictness of its regime....

Nonetheless, during the period of perestroika Standart as, in general, many sectors in the defense complex, began to provide services to the population and to produce consumer goods. Together with V. Popov, the plant's director, we visited the shops where the production of goods in mass demand has now been organized.

"Look at our casting machines and automatic presses!" said S. Pyshkova, shop chief, admiringly. "It is precisely thanks to this modern equipment with which our production facility was recently equipped that we can produce excellent-quality goods."

S. Pyshkova was not exaggerating in the least. Indeed, the quality of output is excellent. Where Standart is particularly successful is the area of illumination engineering products, as the specialists describe them. We saw a superb five-bulb chandelier made of aluminum which, as a result of technological devices, seemed made of ancient bronze. It was hard to tear our eyes away from electric lamps made in the form of antique kerosene lamps. Artistic galvanizing had converted them into lamps made of black silver, brass and blazing copper....

"We have orders for such lamps from Riga, Minsk and Ashkhabad, and virtually all republics," said Ye. Petrenko, chief of the plant's planning department. "There is tremendous demand for them."

Today many are the customers for Ruslan and Lugan lamps, which cost respectively 32 and 14 rubles. However, the plant's annual output cannot exceed 50,000 of either model. Could serial production be increased?

"We must constantly increase variety," objects A. Chuprik, the head designer at the consumer goods shop. "Currently we already have 16 different models and intend to raise their number to 30."

The latest of the plant's developments is today a bathtub mirror set. It cost a great deal to the enterprise: It required ceramics which were scarce; a contract for cooperation was concluded with the Slavyansk plant for armature insulators. The new set will be on the market soon.

Last year the Standart Plant produced consumer goods worth almost 6 million rubles. This included chandeliers, candelabras, ancient style sports cups, children's school calculators, for which there is endless demand in our computerized age, and lamp shades made of multi-colored fabrics, which have once again become popular.

Today Krasnyy Luch produces goods worth 1 billion rubles. Of these, consumer goods account for 166 million. Eighty-five kopeks per ruble of such goods go to the city wage fund (at the start of the 5-year plan, no more than 60). The aim is to achieve a "ruble per ruble" by 1990. Standart has already surpassed this level.

#### Citizens' Reactions to Poor Quality Clothing, Shoes

18270025 Moscow ARGUMENTY I FAKTY in Russian  
No 46, 12-18 Nov 88 p 8

[Untitled report by T. Korostikova in response to a query from A. Vlasov, in Kemerovo, who asks: "Are we keeping track of public opinion regarding the quality of Soviet products? It is necessary for those who clothe us and put shoes on our feet to know how we assess their work."]

[Text] Frequently, in a store, when looking at the shelves, at the stands, full of goods, we say: "There's nothing." And every year, altogether, we spend about 50 billion man-hours of our time on the purchase of necessary things and products. This includes time spent walking around the stores, waiting in lines, selecting needed articles, etc. All this, as a rule, represents time lost which might not occur if trade were well organized and if high quality goods were available for sale.

An opinion survey of families concerning the quality of acquired clothing and footwear has turned up serious complaints about Soviet-produced goods. Low quality has been noted in every fourth knitted article, in every sixth sewn article, and in every third pair of footwear that are sold in the state and cooperative trade networks.

Urban and rural residents complain above all about the quality of sweaters, jumpers, pullovers, sports clothing, particularly for children, ready-made women's and children's dresses, and men's shirts, which fade and lose their external appearance the first time they are washed

(60-70 percent of all kinds of complaints about their quality). Complaints about insufficient durability were received from 20-30 percent of those polled.

Many kinds of domestically produced footwear, as the survey showed, are unfit to be worn because the soles become unglued, because they quickly lose their external appearance (due to poor quality dyeing), because of stiff uppers, slipshod inner construction, because they leak, etc.

The main reason for dissatisfaction with Soviet-produced goods is a lack within the state trade network of products with needed dimensions, fullness, and height and in desired colors and designs. Fifty-eight percent of workers and employees and 66 percent of collective farmers noted this in the purchase of knitted outerwear articles, 51 and 62 percent respectively in the purchase of sewn articles, and 52 and 62 percent respectively with regard to footwear. Besides this, 12 and 21 percent of workers and employees and 9-14 percent of kolkhoz workers made note of the presence of obsolete fashions (models) among goods being sold; 11-16 percent and 8-15 percent respectively pointed to low-quality sewing (manufacture) of products and of the materials from which products are sewn, while 9-13 percent and 9-11 percent respectively noted that prices did not correspond to external appearance and quality.

The sale at reduced prices of seasonal types of products is still poorly organized at stores in rural localities. Thus, in the survey of kolkhoz families, 60 percent of those questioned cited an absence of sales of such goods in the stores where they live.

The following figures also bear witness to the low quality of fairly large number of consumer goods. The RSFSR Trade Ministry inspectorate [rostorginspektsiya] made about 39,000 checks at industrial and trade enterprises. In 26,000 cases, it was necessary to reject the products being checked. More than 68,000 sewn articles, 11,000 articles of outer knitwear, and 45,000 pairs of leather footwear were rejected and reduced in grade classification. Altogether, this would have been sufficient to cloth and shoe the inhabitants of a rayon-level town.

Those responsible for the defective products were subjected to administrative measures—in 1349 cases the decision was made to cease production of the products and to introduce special monitoring procedures—as well as economic sanctions: 40 billion rubles were subtracted from the enterprise reports on plan fulfillment and the sale of production and 3,400,000 rubles in illegally obtained profits were confiscated.

Recently, the USSR Council of Ministers passed a decree "On Measures for Increasing Production and Hastening Consumer Goods Saturation of the Market." It envisages an increase in current five-year plan goals for the production of light industrial output (in retail prices) by

2.3 billion rubles in 1989 and by 6.7 billion rubles in 1990. By 1995, it is planned to achieve a 17.8 percent increase in these products as compared to 1990. Achievement of these plans (of course, if this does not

occur at the expense of increased retail prices) will doubtlessly contribute to solution of the problem of shortages. But only under one condition—if the goods that are produced will be of high consumer quality.

Data characterizing the main types of complaints regarding the quality of Soviet-produced goods (all kinds of complaints concerning product quality = 100 percent):

	Workers/Employees				Kolkhoz Workers			
	Uncomfortable fit	Insufficient durability	Loss of Outward appearance	Other complaints	Uncomfortable fit	Insufficient durability	Loss of outward appearance	Other complaints
Outer knitted wear								
—Male	3.7	28.2	60.0	8.1	6.5	25.6	59.6	8.3
—Female	4.8	24.1	61.6	9.5	8.3	26.0	57.8	7.9
—Child	3.0	29.2	62.1	5.7	4.6	27.6	61.0	6.8
Sewn articles								
—Male	8.8	29.3	52.6	9.3	10.9	31.4	51.5	6.2
—Female	8.0	20.5	60.9	10.6	9.5	23.0	60.3	7.2
—Child	7.1	24.9	58.8	9.2	10.7	27.3	54.9	7.1
Shoes								
—Male	28.9	52.5	10.6	8.0	23.5	58.7	10.6	7.2
—Female	34.1	48.1	10.6	7.2	24.2	59.5	10.1	6.2
—Child	25.9	55.4	11.2	7.5	25.4	56.8	10.8	7.0

Trends in Retail Trade Turnover 1987-1989  
18270027a Moscow IZVESTIYA in Russian  
22 Nov 88 p 1

Ministry of Light Industry from 39 percent in January-August 1987 to 49 percent in the corresponding period of 1988 and at the Ministry of Textile Industry, respectively from 22 to 32 percent.

[Article by Yu. Rytov under the rubric "Statistics and Our Commentary": "Inexpensive Goods. The Route to the Counter"; first paragraph is source introduction]

The profitability of items sold for agreed prices is especially noted in the statistical report, being as a rule three- to fourfold higher than the profitability of comparable goods not having an N index and not coming under the category of especially stylish items. It is clear to everyone that under the conditions of cost accounting and self-financing enterprises will fight for such a level of profitability and will try by any means for the N index or the "especially stylish" category. One might ask: well, what is so bad in this? The N index and other classifiers were established for this so that enterprises could renew their assortment and put out modern products delighting the eye....

[Text] The RSFSR (Russian Soviet Federated Socialist Republic) State Committee for Statistics prepared a report on the production of consumer goods by enterprises of the Russian Federation's Ministry of Light Industry and Ministry of Textile Industry. Here is analyzed how the process of "washing out" the inexpensive assortment of products in the indicated sectors is proceeding.

All this is so. But, first, the prices for such products, as they say, sting you. After all, the average retail price of especially stylish fabrics, footwear and hosiery is almost double the average price level for similar "ordinary" goods. Second, the N and the especially stylish index with our persistent and universal shortage cover almost always only partial, purely cosmetic changes of products which only a customer with a very rich imagination and a very tight pocketbook would include among new or especially stylish items. Finally, third, an enterprise loses interest—economic interest!—in the production of inexpensive items. Particularly children's assortment or goods for persons of elderly age. Indeed the growth curve for production of items with the N and especially stylish

We have already written so much about the determined, steady growth of prices for all types of goods, which is creating dismay and irritation among buyers. How often have we spoken with indignation of the fact that cheap inexpensive items were disappearing from stores' shelves. How many times have we observed how difficult it has become to clothe an elderly person with no pretensions as to style and how expensive it has become to dress a child.... We based ourselves on concrete facts found everywhere, but we investigated very feebly the actual mechanism and the sources of such occurrences.

So what is going on? Statistical data have shown that this year the production of goods of improved quality with an N index and especially stylish goods sold at agreed prices received primary development. The share of such goods in the total volume of products increases at the RSFSR



index practically coincides with the curve for the drop in production of inexpensive items (if, of course, one of these curves is placed upside down).

Judge for yourselves. In eight months of this year, the RSFSR Ministry of Light Industry produced goods in the amount of 8.5 billion rubles (in retail prices). The plan was 4 percent overfulfilled. In total production volume, the cost of goods of improved quality with an N or especially stylish index sold at agreed prices totaled 4.2 billion rubles. And fulfillment of the plan was 127 percent. A total of 4.3 billion rubles belongs to the share of other items. The sector could not meet the target for them: it fulfilled it only 90 percent. However, the total result (owing to the first group), as we see, turned out quite quite well....

A similar situation is found at the RSFSR Ministry of Textile Industry. The order of the figures is the same....

Special preference is given to especially stylish items. After all such products are sold at agreed prices! The enterprise is interested and trade is interested, for it is easier for it to fulfill the plan of retail goods turnover. As for the customer, what is he to do?

In the first half of this year compared to the same period of last year, the production of especially stylish products grew in such proportions. The output of cotton fabrics increased thirteenfold. Silk fabrics—6.3-fold. Wool fabrics—fourfold. Hosiery—threefold. Footwear—2.6-fold.... On the other hand, let us say the production of ordinary footwear was reduced by 6 percent in the same period. And ordinary varieties of fabrics—by 3 percent....

Is it necessary to prove that the tendency for "washing out" of the inexpensive assortment and growth of retail prices owing to the N and the especially stylish index is to be found not only in two sectors of the Russian Federation? In any case, I shall cite one more example. At enterprises of the USSR Ministry of Light Industry, the relative share of goods with the N and the especially stylish index in the first half of this year amounted to 33.7 percent (and for 1987—29.9 percent).

What do workers of these sectors themselves think of such a tendency—after all in the final analysis they are also buyers?

I have in front of me a letter from V. Berezkina, the deputy chief of the administration for development of assortment, quality and delivery of goods of the USSR Ministry of Light Industry. It is an official reply to the commentary published in the paper "The N Index Dictates Prices" (No 254, 1988).

"'Calculated' control figures for production output in retail prices set by USSR Gosplan," it states in the reply, "in essence must be fulfilled. With an acute shortage of raw and other materials, this results in raising average retail prices for enterprises. In order to reach control figures for retail goods and provide a profit for production and social development, enterprises are obliged to increase the relative share of dear rather than inexpensive goods needed for children, young people and persons of elderly age. The profitability of these groups of products is low, but the labor intensity is the same as for other goods or even higher."

We are all for the new economic mechanism, which impels collectives to strive for maximum profit and thus ensure a happy life for themselves. We are all for the socialist market where the customer, and only he, dictates his needs, his conditions, his prices. But what do you do when such a market has as yet not been established, has not been saturated with goods, and the economic mechanism operates lopsidedly, expressing the interests of the monopolist producer?

For 1989, the entire assortment of inexpensive items for children, young people and persons of elderly age is included in the state order. Again an administrative approach? Yes. I think, however, that this is a forced—during our transitional period—and necessary step. Fortunately, the matter has not been limited to this. Administrative levers are bolstered by economic ones. A decision has already been adopted on the establishment of increases to wholesale prices (that is, to those prices by means of which settlements are made with an enterprise) for goods for children. Similar economic measures are now being developed in the government for other groups of inexpensive goods.

Again and again we are convinced of the complexity of the problems put before us by the economic reform. They cannot be solved rigidly. Flexibility and maneuvering are required. It is necessary to take account of the concrete situation based on protection of the interests of all strata of the population.

## ELECTRIC POWER GENERATION

**1st Secretary Arutyunyan on Energy, Other Issues  
at Armenian AES Party Conference**  
*18300156b Yerevan KOMMUNIST in Russian*  
*23 Oct 88 pp 1, 3*

[Armenpress report: "At the Turning Point"]

[Text] We live in dynamic times. They abruptly change our notions of priorities as well as the economic and social advisability of various approaches. A clear example of this is our attitude toward the Armenian AES [nuclear electric power station]. Even recently we loudly proclaimed it a symbol of the republic's scientific and technical progress. And now we speak with no less excitement about the closing of the nuclear plant. There is no contradiction to this. The party's course of restructuring, democratization and glasnost have made us look more widely and more deeply at tasks and questions. We are actively turning to a farsighted technical policy which is permeated with high morality and true concern for man.

This important attitude resounded at the report-election party conference held at the Armenian AES. The report given by the party committee secretary V. Saakyan and the entire course of the debates showed that the communists feel themselves to be the real masters of their party organization, they delve exactly into all its affairs and openly and concertedly present their cherished ideas and constructive proposals to the forum.

Emphasized at the conference with particular force was that the collective of power workers shares the attitudes and aspirations of their people and shows understanding for the difficult but urgent decision to take the units of the Armenian AES out of operation. But for now while the plant is running, the main task of each communist, each leader and specialist is to achieve the greatest organization and ensure the strictest discipline and order in each shop and in each brigade. A whole number of scientific and technical measures has already been taken and these should greatly increase plant safety. They have put into operation systems for three additional reactor safeties, they have completely redesigned the industrial water supply system and have carried out difficult work to raise the seismic resistance of the equipment and facilities. For the first time in Soviet practices they have installed an automatic system warning of the appearance of a leak in the primary circuit piping and which was developed by republic scientists and specialists. They have installed an acoustic-emission monitor for the pipelines of the steam generators of both units, they have increased the monitoring of the primary circuit metal and have fired the metal on the housing of the first power unit reactor and this has made it possible to lower the stresses in the housing which have arisen after more than 10 years of operation.

These measures are prompt and important, emphasized the director of the AES M. Vartanyan, the foreman of the centralized repair shop G. Markaryan and others. But the higher reliability of the equipment must be dependably backed up by the increased responsibility of people. An extra recertification of personnel was carried out. They organized a thorough study of the by-laws by the AES workers. In the near future the next step will be taken, that is, the switch of the collective to full cost accounting. However, serious party attention to this is still not felt. The party committee has limited itself to announcing a competition for the best proposal to organize intraplant economic accountability. Only one specialist participated in the competition and this was the chief of one of the laboratories Kh. Kazaryan. And this happened when the plant employs over 400 highly skilled engineers and a large detachment of economists and production leaders. Why is the party committee not concerned by their passivity? Why have conclusions not been drawn on how to proceed farther in order to focus the people on an innovative approach? The primary and shop party organizations have completely removed themselves from explaining the new principles for the organization of labor and wages. Here they have not realized that economic accountability will only become an effective factor in increasing responsibility if this permeates all aspects of the life of each shop and each brigade. The party committee very calmly has overlooked this very disconcerting symptom.

At present there must be great frankness and glasnost in all the party work and it must more quickly be brought out of the offices into the shops, to the work areas, said the foreman of the electric shop T. Matsakyan and the electrician and secretary of the shop party organization Zh. Agaronyan. In continuing their ideas, the chairman of the council of the AES labor collective and chief of the thermal automation and metering shop L. Chaloyan, the senior operator in the reactor division S. Arsenyan and others voiced the opinion that all the questions at the plant be settled with the active involvement of the collective, in a situation of the extensive exchange of opinions and the comparing of various viewpoints. The conference raised the questions related to the employment of the experienced and highly skilled power collective in the future, after the closing of the AES.

Vital work with the personnel has still not become a standard of party work, it was pointed out at the conference. Decisions are taken, measures are set, but the communists are not informed as to who is responsible for their fulfillment, who is holding up one or another question or who is to be held responsible for the failure. As a result, many critical comments move from minutes to minutes but there are no real changes apparent. The very striking fact was also pointed out: the decisions of the September Plenum of the Armenian CP Central Committee which are of major importance for the republic party organization, in working out a constructive program for overcoming the crisis situation in the republic were not discussed in the AES primary and shop party organizations.

We must give up the previous stereotypes in the assessment in party as "satisfactory or unsatisfactory," stated the Deputy Party Committee Secretary A. Meliksetyan. Party work must be seen in its dynamics and a clear distinction drawn when it is being carried out unsuccessfully and when energetically and with initiative. This opinion was supported by the chief of the inspectorate of Gosatomenergondzor [State Atomic Power Supervision] at the Armenian AES V. Arzumanyan, the manager of the political office M. Arustamyan and other speakers.

A nuclear plant is a special enterprise. It is constantly at the center of attention of the Union ministry and the republic leadership. All the conditions for dependable, stable operation are created for it. At the conference it was pointed out that the party committee and the primary and shop party organizations must make fuller use of these opportunities in order to unite the collective and mobilize each worker and specialist for showing a responsible approach to their duties. Such great opportunities also exist to provide a good organization for the life of the people and for maximally satisfying their cultural and spiritual needs. However, as yet real party work in this area has not been noticed. Many social questions have become so neglected that they have developed into acute problems.

Twice decisions were taken to repair the dining rooms and twice the dates were put off. In the settlement of Metsamor there is no consumer service center or Pioneer palace and one of the schools is located in unequipped facilities. A difficult situation has arisen here in supplying the homes with hot and cold water.

These questions must not be pushed into the background, said the deputy director M. Shaginyan, the deputy chief of the TPK shop for treatment works S. Karapetyan and others. The social protection of people is today the most effective factor and it should become a priority one in the activities of the plant's party organization.

At the conference serious criticism was leveled against the workers of the construction and design organizations. The undefined status and organizational hitches led to a situation where the collective of the AES SU [Nuclear Plant Construction Administration] fulfilled the 9-month plan by only 59 percent, thwarting the completion of a number of projects in Metsamor and Buzhakan which are impatiently awaited by the power workers. The Armgosproyekt [Armenian State Design] Institute has also let the power workers down as for 2 years now the AES leadership has been requesting the plans for a new school in Metsamor but up to now has not received these. Time has been missed. It will be difficult to catch up.

The conference participants expressed the unanimous opinion of the nuclear plant collective that the method of strikes and illegal actions does not help to solve the difficult internationality problems. They supported the

firm course taken by the republic party organization of overcoming the phenomena of stagnation in the economy and social sphere, improving the ideological and moral situation in the republic and the efforts of the republic leadership aimed at a consistent political solution to the problem of Nagornyy Karabakh.

Speaking at the election-party conference at the Armenian AES was the 1st Secretary of the Armenian CP Central Committee S.G. Arutyunyan. In particular, he said:

The current discussion at the report-election conference of the Armenian AES has been marked by an exacting, business-like approach, by frankness and directness. With great satisfaction I heard the comments by the communists. Diverse opinions were voiced and at times these did not coincide. But behind each of them one can see a stance, serious analysis, justified dissatisfaction with what has been achieved and concern over how things are going at the AES and in the republic as a whole.

This is not the first time that we have seen how the party organization of the nuclear plant which brings together in its ranks almost 500 party members and candidate members, workers and specialists of many nationalities, responsibly pass an exam for political and professional maturity.

After the accident known to all of us at the Chernobyl AES, the communists immediately mobilized the collective for a thorough analysis of the plant's technical condition. In a short period of time, a large range of organizational and technical measures were worked out and implemented and these greatly increased the reliable operation of all the plant's units and equipment.

High praise for the effectiveness and timeliness of these measures was provided by the Deputy Chairman of the USSR Council of Ministers B.Ye. Shcherbina, who recently visited the Armenian AES.

At present, I would like to mention those who comprise the vanguard backbone of the Armenian collective, who excel in an innovative, creative character and a feeling of heightened responsibility for their difficult job. These are the mechanics in the thermal automation shop Vazgen Artutyunyan and Zhyulveri Seyranyan, the senior foreman of the electric shop Edvard Nazaryan, the foreman of the electric laboratory Viktor Vartanyan, the senior duty electrician Grach Saakyan, the shift chief of the turbine shop Arutyun Akopyan and the senior mechanic Vladimir Balchyunas, the senior foremen for reactor equipment Vruyr Galstyan and Vanik Topchyan, the senior reactor control engineer Yakov Fayvush, the senior operator Pargen Arsenyan, the shift chief Armen Markosyan, the shop chiefs Leontiy Chaloyan and Karapet Karapetyan and many others.



We know what an enormous role has been played by the AES workers and specialists in the development of power engineering and the entire economic potential of the republic. The Armenian Nuclear Plant generates 30 percent of all the electric power consumed in our republic. With its opening up it has been possible to stabilize the energy base of industry, create new opportunities for accelerating scientific and technical progress and increase the reliability of power supply to the population points. A noticeable, significant contribution has been made to our advancement and we should presently praise it properly.

But let us not overlook all the truth of life. Our people, the broad republic community and, I feel, you, comrades, are concerned by the fact that the Armenian AES is located on the fertile lands of the Ararat Valley in the immediate proximity of Yerevan, in an area with increased seismic action and a high population density. We share this concern as we said openly at the September (1988) Central Committee Plenum.

As you know, the republic leadership this year raised the question of taking the power units of the Armenian AES out of operation. The question was reviewed by the USSR Council of Ministers and thoroughly worked through with the involvement of prominent scientists and power engineering specialists. They were here recently as part of the representative Union commission and many of you met with them. Our proposal was supported. The Armenian AES will be closed down!

As specialists, you realize that we have chosen the best but in no way the easiest path. In order to prevent a sharp drop in the output of electric power in the republic, emergency measures must be taken: the Razdan GRES must be expanded in the maximum shortest time, putting into operation here four additional power units of 300 megawatts each. The collectives of Armgidroenergostroy [Armenian Hydropower Construction Administration] and other organizations are already focused on practical work. But their efforts are not sufficient. The expansion of the Razdan GRES should become a national undertaking. The sooner we put the new power units in operation the sooner we can close down the nuclear plant and thereby eliminate a potential center of danger at the very heart of our republic.

A task of enormous importance also confronts your collective: as long as the station is operating to be super-careful, do not let down for an instant and ensure the completely reliable operation of the AES. The AES collective is skilled and organized, with rich experience and traditions. We are proud of your collective.

On my behalf I want to assure you that the republic leadership will take every measure so that your collective after the closure of the AES can find employment for its knowledge and abilities.

We today plan to approach the development of power in the republic from broad conceptual positions. We will follow the path of technical reequipping and the building of new TETs, and the employment of gas turbine units at the GRES which exclude the firing with mazut. But at the same time, we will more efficiently use the nontraditional (replenishable) energy sources.

Just look what is happening. In our southern republic, where there is abundant sun, there is not a single autonomous facility (sanatorium, athletic facilities or agricultural farm) which has its own solar-powered sources. I feel that in the shortest time we must solve a complex range of scientific and technical problems related to the development of solar-power concentrators and convertors which possess sufficiently high power and efficiency and are convenient in mass use. Both the scientific potential and corresponding production capacity exists here for this.

Of exceptionally important significance is the construction of the pumped storage power plants (GAES) in the republic. Such a plant with a 1,000-megawatt capacity would make it possible at the expense of the nighttime surplus capacity to cover the morning and evening peak loads in our power system, without burning mazut and hence not pollute the environment. I could give a more concrete figure: with the presence of GAES, we could conditionally rid ourselves of wastes over our territory equivalent to 30,000 tons a year of sulfur and nitrogen compounds. Is this not a gain for our republic where the ecological situation remains very tense?

I will not speak about our other plans and opportunities. Let me emphasize the main thing and that is there is much hard work to be done. And if we do not handle this, then we could enter the next five-year plan with an annual minus of electric power production of some 2 billion kilowatt hours. You see how serious the question is.

I would particularly like to say something about the settlement of Metsamor. All the municipal and domestic conveniences will be created for the power workers. The recreational zone for children is to be enlarged and the spiritual life of the youth will gain an active content. It is our general duty to turn Metsamor into a model settlement.

We intend to decisively increase the ecological purity not only of power production but also industry and transport.

We already have some experience here as this year we finally closed down the Kauchuk-1 [Rubber-1] production at the Nairit NPO [Scientific-Production Association]. As a result, we have been able to sharply reduce the release of chloroprene with the completion of construction of the incinerators in 1989, the chloroprene releases will be brought down to amounts significantly below the tolerable standards.

Effective intervention has been needed in Aboyan, where a biochemicals plant was under construction. A commission established by the republic Council of Ministers concluded that the decision to build was taken in violation of the existing sanitation requirements: they have not observed the requirements of establishing the required sanitary-protective zone, there was no permission for special water utilization and the capacity was in the immediate proximity of the republic antituberculosis dispensary. In considering all of this, the commission concluded that it was unacceptable to continue construction on the experimental industrial plant for biochemicals, it halted it and turned to the USSR Ministry of the Medical and Microbiological Industry with a proposal to review the given question.

High civic awareness and responsibility at present should become the basis to the approach for any ecological problem. A simple example. If we accelerate the completion of the new cement plant in Araratskiy Rayon and respecialize the cement plant in Razdan, this will provide an opportunity to eliminate 9,500 tons of harmful discharges into the atmosphere, reduce by 9.5 million  $m^3$  water consumption from Sevan and 4,200  $m^3$  of annual discharge of polluted industrial wastes into the Marmarik River. In this manner, we will preserve for all of us one of the republic's finest resorts at Tsakhkadzor and the unique natural environment in Razdanskiy Rayon.

What prevents this? Our slowness. This involves the completion of treatment facilities in Kirovakan, Echmiadzin, Dilizhan, Masis and Aparan, there have been ineffective measures against the polluting of the atmospheric air in Yerevan by the exhausts of motor transport, and a number of other ecological measures have failed.

We must think seriously not only about the ecology of the environment, but also about the ecology of human morality. Certainly it is no secret that irresponsibility has penetrated into the awareness of a portion of our people, there has been the devaluing of socialist values and this has led to the moral degradation of individual workers and to outright violations of the principles of social justice. Stagnation has infected our economy and the spiritual sphere.

The republic was in a state of crisis. The plans for industrial production and construction were chronically not fulfilled. Strikes and mass absenteeism injected serious destabilization into our economy. We lost our reputation as a dependable national economic partner, we fell seriously behind in carrying out a radical economic reform, all the elements of the new economic mechanism were not put fully into operation and economic accountability and leasing were not widely employed.

The situation has been exacerbated by the fact that forces pursuing aims incompatible with our nationality interests have joined the movement growing up around the problem of Nagornyy Karabakh. Individual groups of persons have advanced politically harmful slogans and in every possible way have attempted to defame the party, soviet and economic cadres and drive a wedge between the republic workers and leadership. Here certain individuals at meetings openly lie and circulate knowingly false ideas.

Such actions play into the hands of the antirestructuring forces who do not want real changes in the republic. In this light we must view the political provocation initiated recently by the former head of the Section for Party Organization Work Under the Central Committee, Kh. Mandalyan. This was an outright attempt by the antirestructuring forces to undermine and disrupt the unity between the republic leadership and the people, to keep passions high and prevent the normalizing of life in the republic.

As you know, at the September (1988) Plenum of the Armenian CP Central Committee a well-conceived, constructive program was worked out on the basis of which, we are certain, the republic can be led out of the crisis situation.

We will decisively carry out a line of eliminating the deformations in internal party life and cadre policy, and we will wage a steadfast struggle for an honest and pure figure of a party member. We must, all working together, initiate a steadfast struggle against theft, speculation, corruption, protectionism and a disrespectful attitude to the laws. At present, a range of measures is being carried out which should provide greater dynamism for our economy and lead it to a path of technological development and highly efficient management methods. The key point is the circumstance that the carrying out of a long-term profoundly conceived and strong social policy has been moved to the forefront.

Among its goals is a better supply of the towns and villages with food products. We have already set our prime goal of solving over the next 2 years the problem of supplying the republic inhabitants with fruit and vegetable products. Moreover, on the basis of the maximum utilization of internal reserves and opportunities as well as the extensive introduction of intensive technologies and cost accounting, we plan to increase milk and meat production. Thereby conditions will be established to raise per capita consumption for the main livestock products.

We are seriously concerned with the state of affairs in housing construction. An alarming situation has arisen in our republic: the annual increase rates for those waiting for housing have begun to significantly outstrip the housing completion rate. Entire categories of persons have appeared for whom the obtaining of an apartment

has become generally problematic. These are teachers, medical workers as well as the representatives of the scientific and technical intelligentsia.

We have set the goal for ourselves of providing by 1993 housing for persons on the waiting lists at the beginning of 1987 as well as those residing in decrepit and emergency housing and completely solving the housing problem in the republic in the year 2000. Decisive progress has also been planned in the building of cultural and consumer facilities.

The republic leadership plans to carry out a number of other urgent tasks such as providing the population with drinking water, improving the quality of consumer goods, and fundamentally improving the operation of public transport, public health, trade and consumer services.

A particular feature of the political moment through which we are now living consists in the fact that at present we can resolve the built-up sociopolitical and spiritual problems relying on the growing social activity which has encompassed all strata of the republic population. The task consists in making certain that the problems, however complex they may be, do not divide the people but, on the contrary, rally, consolidate and cement society. Only in this manner is it possible to untie many knots. And untie is precisely the word in dealing with such a complex problem as the problem of Nagorny Karabakh.

The republic leadership completely shares the noble feelings of our people and their concern for the fate of the Armenian population in Nagorny Karabakh. I personally do not see in this united surge anything that is supernatural or anything forced. One can only show bitter irony to the voices heard at times that a crack of miscomprehension has risen between the republic leadership and the people, if these assertions had not acquired a politically harmful character.

We openly stated our position at the session of the republic Supreme Soviet held on 15 June and at the 19th All-Union Party Conference, we spelled it out at a session of the Presidium of the USSR Supreme Soviet and reaffirmed it at the September (1988) Plenum of the Armenian CP Central Committee. We affirm this position in our daily work.

At present, the relationships of Armenia with Nagorny Karabakh have moved into the plane of concrete deeds and these ties, regardless of all difficulties, are becoming ever-stronger and more irreversible. We must make more active use of the new opportunities and move from platonic patriotism to actual patriotism and to concrete deeds.

At the forthcoming session of the Armenian Supreme Soviet we intend to review the course of carrying out the decrees of the CPSU Central Committee, the Presidium

of the USSR Supreme Soviet and the USSR Council of Ministers on Nagorny Karabakh on the part of the party, soviet and economic bodies in the republic.

On 17 October at the CPSU Central Committee under the chairmanship of M.S. Gorbachev, a meeting was held of the Commission to Prepare Proposals Related to Implementing a Reform in the Political System. The commission reviewed the draft law on amendments and supplements of the USSR Constitution and the draft law on elections of the USSR people's deputies. The draft laws were published for discussion by all the people. The communists and all the workers of our republic are taking a most active part in this discussion.

Of fundamentally important significance will be the plenum being prepared for the CPSU Central Committee on improving relations between nationalities. We in the republic are presently working out our own proposals for this plenum. The plenum will give great attention to the status of the Union republics and the autonomous formations.

Sumgait remains a festering wound. I must say that we have been very insistent in raising the question that the USSR Supreme Court take over the severest crimes. As you know, a trial is underway in Moscow for the perpetrators of these grievous crimes.

In the conclusion of my speech, I would again emphasize that we have adopted a constructive program which links the leadership and the people by common goals. Now, by joint efforts let us move this into the area of practical deeds. A new awareness and new approaches do not appear spontaneously, but they grow out of the corresponding economic and social realities. Who will create these? Only we ourselves, our labor and our creative search. We have set to a major undertaking. We will carry it out if we are united and together.

## PIPELINE CONSTRUCTION, OPERATION

### Gas Pipeline Developments Viewed

#### Yamburg-Tula-2 Line

18220016 Moscow IZVESTIYA in Russian  
22 Nov 88 p 1

[Article by B. Lvov: "Gas Pipeline under Sail"]

[Text] Builders of main gas pipelines have conducted an unusual experiment in the swampy northern sections of the Yamburg-Tula-2 Line. They have used sails to help prevent the pipe from coming to the surface.

How can a sail, even if it is not made from ordinary canvas, but from some other material, keep a pipe weighing many thousands of tons on the bottom of a swamp or river? It turns out that it can, and sometimes it does this much more reliably, simply and somewhat



cheaper than do huge ferro-concrete weights. This innovation, developed by scientists, engineers and specialists from Minneftegazstroy and Minkhimprom was successfully used at these trusts: Soyuzgasspetsstroy [Union Specialized Gas Construction], Kazymtruboprovodstroy [Kazym Pipeline Laying Construction] and Severtrubprovodstroy [Northern Pipeline Laying Construction].

A five-meter strip of polymer fabric is laid down into a trench through the taiga swamp. It is then attached to the top of the pipe by small rods so that one obtains a unique "pocket," or "sail." An excavator puts some dirt over it, and then the pipe is slowly lowered.

In a shift a five-man brigade can ballast down 400 meters of pipe, compared to 40 meters using the usual method. The "sail" technique increases the ballasting pace by a factor of 10. However, this is not its only advantage. A single ferroconcrete weight is more than 4 tons and over 400 units are required for each kilometer of pipeline. Imagine how much reinforcement bar, cement and aggregate this requires. The need to haul these heavy loads adds to pipeline construction costs.

The use of the "sail technique" saves 100,000 rubles per kilometer of 1,420 millimeter pipe.

The new method is still being improved. A simple calculation of indicators shows that if it were used on all 13,000 kilometers of pipeline put into operation by Minneftegazstroy during 9 months of this year more than 25,000 tons of rolled metal and almost 1.3 million tons of cement would have been saved.

#### **Beurdeshik-Naip Line**

18220016 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 23 Nov 88 p 2

[Article by TASS: "Mainline Through the Karakumy"]

[Text] The Beurdeshik-Naip Line will help gas workers increase the deliveries of this fuel to the country's central regions. It is being put into operation to the northeast of the Karakumy Desert.

In recent years reservoir pressure has dropped considerably at the Beurdeshik and Kirpichli fields. It has therefore become necessary to "push" gas to the line, using special cooling stations and drying and cleaning units. To avoid building these, it was decided to lay a new pipeline and to use gas from the Naip field, where such capacity is already available and is only being half used. There is a huge advantage; a single cooling station costs at least 10-12 million rubles.

#### **Non-Chernozem Line**

18220016 Moscow SOVETSKAYA ROSSIYA  
in Russian 4 Sep 88 p 1

[Interview with G. I. Shmal, by V. Romanchin: "Main Gas Pipelines for the Non-Chernozem"]

[Text] As has already been reported, at its meeting on 1 September the CPSU Central Committee Politburo examined the government's program for the gasification of rural regions in the Russian Non-Chernozem. We asked G. I. Shmal, first deputy minister for the Construction of Petroleum and Gas Industry Enterprises to comment on the main directions of this work.

[V. Romanchin] It is foreseen that by 1995 most of the demand for natural gas by the rural population in the RSFSR [Russian Soviet Federated Socialist Republic] Non-Chernozem Zone will be met.

[G. I. Shmal] This does not mean that we will begin work on the gasification program only in the next five-year plan. We already have sufficient capacity to begin doing this. By year's end 700 kilometers of pipeline will be laid. This will make it possible to bring complete gas service to 24 populated areas in the Mordovian ASSR, Smolensk, Vologda and Tula oblasts. Next year the pace will increase and work will be done simultaneously in many regions. However, we want precise preliminary work in those places where gas is most needed.

[V. Romanchin] The program calls for laying 4,500 kilometers of pipeline in the Non-Chernozem Zone.

[G. I. Shmal] Is this too much or not enough? As a comparison, I will note that this is several times more than was laid throughout the entire Russian Federation during the past five-year plan. It must be admitted that today the gas supply situation for rural areas in the RSFSR is much less satisfactory than for other union republics. Much work must be done within the intended deadlines. This cannot happen without several major organizational and technical measures. Above all, it is necessary to have a detailed program for gas services to rural areas in the Russian hinterlands. Success will depend upon a precise distribution of duties among the organizations concerned. Designers, machinery builders, metalworkers, all must work in concert. Even though our country produced more pipe than all the countries in the world, there is still not enough. Our rural gas lines do not need thick walled pipe intended for high pressures. We can hardly get along without plastic pipe. So far the situation is very unsatisfactory, even though there are many interesting developments at the PLastik NPO [Scientific Production Association]. Laying the pipe is not everything. There is a very urgent need for small gas boiler equipment. In short, the program's successful fulfillment will depend to a great extent upon how quickly and, most importantly, how effectively we move

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15 February 1989

from the construction of main gas pipelines to gas "threads" for local use. Here we need help from Minkhimprom and machinery building agencies.

[V. Romanchin] Yamal gas will bring heat and comfort to the houses of rural dwellers. It will come through the Yamal - Non-Chernozem Line, the construction of which has just begun.

[G. I. Shmal] There have been many disputes about this line. The CPSU Politburo decided that it had to be built. We have already begun preparatory work and are laying side tracks. Housing for gas workers is being built in Yamal. It is now a matter of design. Not all the documentation for the new line is ready. There are also complaints about the client—the Ministry of the Gas

Industry. It is necessary that it quickly allocate at least another 300 million rubles for laying branches to the Yamal - Non-Chernozem Line. Then one can talk about the gas line's completion by 1991.

A large program was intended and there is no time to shake it up. It is necessary to get to work. The Russian Federation is waiting for changes. As you know, gas is the best agitator for a full-blooded future to rural areas in the Non-Chernozem Zone. When gas workers come into the least promising village, and even drive a peg, people have hope for tomorrow. There is no doubt that gas lines will bring life to the rural areas in the Non-Chernozem. Farmers' dreams about having this fuel in their homes should come true in the next few years.

**Economist Interviewed on New Pension Guarantees**

18280028a Moscow ARGUMENTY I FAKTY  
in Russian No 47, 19-25 Nov 88 pp 1-2

[Interview of Lyudmila Ivanovna Pronina, candidate of economic sciences, by correspondent G. Valyuzhenich: "How to Provide for Old Age"; first paragraph is source introduction]

[Text] As we have already reported (ARGUMENTY I FAKTY, No 33), the draft of the new law on pensions was returned by the USSR Council of Ministers for revision by appropriate organs. It needs to be studied so carefully because it calls for fundamentally new approaches to the solution of problems of social security and the development of a completely different mechanism of granting pensions. So as not to repeat the sad experience existing among us of adopting a "stillborn" law, now, at the stage of its preparation, it is particularly important to also take into consideration opinions and proposals of scientists, specialists and the public. L. Pronina, candidate of economic sciences, shares her ideas in this connection with our correspondent G. Valyuzhenich.

[Question] Lyudmila Ivanovna, in awaiting the new Law on Pensions, each of us hopes first and foremost that it will be fairer. In dealing with this theme on the pages of our weekly, we spoke of violation of the principles of social justice under the existing system of pension provision. How is this most pointedly manifested in your view?

[Pronina] First of all in the low security provision of the portion of the population that is unable to work. The Scientific-Research Institute of Labor together with its affiliates carried out two sociological surveys in many of the country's cities and rural localities. We questioned more than 2,000 respondents of pension, prepension and able-bodied age, invalids and pensioners on the occasion of loss of a breadwinner.

Thus according to the findings of these investigations, the share of poorly provided and most "helpless" families (with children, group I invalids and persons older than 75 years of age), it is highest among families of pensioners by reason of age (53 percent) and invalids (44 percent). This is primarily explained by the low level of pensions. Among workers and employees, the minimum size of pensions of all kinds below the minimum of material security (which is now determined by specialists as being within the limits of 65-70 rubles) applies to 13-57 percent and among kolkhoz farmers to 27-62 percent. The average size of old-age pensions is only 46 percent of the average wage.

The next consideration is the low effectiveness of various types of benefits granted to elderly people and invalids. For example, benefits in purchase of medicines, in traveling on transport and the like which are being made

use of particularly by group I and II invalids make it possible (of course, conditionally) to raise the size of their pensions only by 12 percent and the average per-capita income in their families by 9 percent.

Moreover, even now, when individual measures are being implemented for improvement of the existing system, requirements of social justice in regard to the non-able-bodied and most limited groups of the population are at times violated.

[Question] What do you mean?

[Pronina] They remain in the same or even worse position while increased maximums for pensions are introduced for individual categories of workers in different departments who are often granted personal pensions in the absence of actual, real service for this. To a large degree benefits are being expanded (housing and living, sanatorium and health resort) for personal pensioners compared, for example, to invalids since childhood.

Social justice in regard to the non-able-bodied should be manifested in the creation of conditions under which invalids, children, those who have lost a breadwinner and old men could most fully satisfy their actual daily needs. According to our research data, 52 percent of old-age pensioners, 71 percent of invalids and 68 percent of pensioners by reason of loss of a breadwinner satisfy only their insignificant portion. For this reason it is, of course, first of all necessary to raise the level of their provisions.

And not only in the manifestation of justice, I think the chief criterion in operation should be for an equal labor contribution in the case of an equal degree of incapacitation and equal number of dependents—equal provision (the same size of pensions and allowances). Now with a length of service of 25 and 40 years, a person can get the same pension or, let us say, that for three or five dependents the same pension maximum is granted.

[Question] We have already written concerning what method of computing pensions is proposed depending on length of service (see ARGUMENTY I FAKTY, No 15). Have you any ideas in this regard?

[Pronina] The findings of a number of surveys, particularly our own, show that among working old-age pensioners length of service for men exceeds that required on the average by 10.3 years and for women by 11.7 years. Consequently I think that in raising the required age by 5 years for granting an old-age pension (except for women with children and workers with higher labor intensiveness), that is, to 25 years for women and 30 for men, the norm of computing pensions should be increased from 50 to 60 percent. And for each year of work above this length of service to add each year 1.2 percent of pay for women and 1 percent for men, but with the condition that the total percent does not exceed



70-75 percent of earnings. This ratio was determined on the basis of a comparison of rational consumer budgets of able-bodied and non-able-bodied members of society.

[Question] What percent of earnings would be credited for 1 year of required length of service?

[Pronina] The figure would be 2.4 percent for women and 2 percent for men, that is the norm for calculating the pension (60 percent) divided by the number of years of required length of service.

[Question] It appears that you are proposing to reduce to some degree the stimuli for postpension work activity?

[Pronina] The fact is that, as shown by research, after 25-30 years of work, intensity and labor productivity, meaning the labor contribution, as a rule get lower. Moreover, reducing the "cost" of each year above the required length of service is practicable in regard to taking into account the considerable planned release of workers from public production.

[Question] We all know how living costs are rising. At the same time, sizes of pensions, allowances and payments in most cases are fixed for us....

[Pronina] We now have a method of recalculating pensions granted a long time ago based on growth of the wages of workers of corresponding occupations, but it is not sufficiently fair and effective since, depending on the time a person has been on pension, his former labor contribution loses as it were its "price." I therefore believe that it would be fair for pensions and allowances to be revised with the consideration of raising the minimum for material security and growth of the retail-price index. Namely all pensions need to be automatically increased annually, or at least once every 5-10 years, by the corresponding percent of growth of this minimum and at least annually the sizes of all pensions to be increased in connection with growth of the price index, first of all for food products and necessities. Judging even by official statistics, state retail price increased 10 percent from 1970 to 1986.

[Question] But these statistics have been subjected to sharp criticism inasmuch as they do not take into account the hidden growth of prices. If specialists were to use such statistics, our pensioners would hardly gain significantly from this method.

[Pronina] I do not deny that specialists ought to have at their disposal accurate factual data. But the USSR State Committee for Statistics should help us in this.

[Question] Some readers complain that they do not have the possibility of going on pension in the case of full length of service before the prescribed age as they would get a pension only from 55 or 60 years of age. What do you think of this?

[Pronina] In my view it is necessary to democratize pension provision. Each person, depending on his ability to work, circumstances and needs, ought to have the right to an individual choice. Such a situation could be achieved through the establishment of more "flexible" conditions and norms of provision. For example, according to our research findings, 17 percent of the respondents wanted to change (raise or lower) the age of going on pension. Why should not a person under the condition of full length of service for granting of an old-age pension select himself the age of going on pension, for example, within the prescribed range of 50-60 years for women and 55-65 years for men?

[Question] How does one ensure perfectness of the new law so that after 10-15 years it will not need to be revised?

[Pronina] It must incorporate in itself the principle of self-improvement, particularly for change of the norm for computing pensions (percent of earnings).

For example, it is now considered practicable to establish a maximum norm for pensions in the amount of 70-75 percent of earnings. But this relation could be changed....

The minimum and maximum for a pension should also be mobile, with their scientifically based ratio determined by the proportion between the minimum and the rational consumer budget. Today this ratio is set at 1:3.3.

In accordance with this, the relation between the minimum, average and maximum pension size should be 0.3:0.7:1, while the minimum old-age pension could amount to 65-70 rubles a month and the maximum 220 rubles in 1990 and 95-100 rubles and 310 rubles a month respectively in the year 2000.

[Question] How do specialists tentatively estimate the monetary funds required for the realization of the proposed changes in pension legislation?

[Pronina] According to our calculations 15-17 billion rubles are required. These funds could partially be obtained directly in the sphere of social security. According to the research data, today more than 60 percent of the pensioners work because of material considerations, yet the average size of old-age pensions amounts to 91.7 rubles. Should the new law provide the possibility of raising pensions, the majority of pensioners could retire or work only for wages. In addition, approximately 7-8 billion rubles could be saved as the result of changing the method of motivating the work of pensioners and introducing, let us say, increases to wages instead of pension payments. Furthermore, the reform of favorable pension provision (regulation of norms and conditions of computing pensions for workers connected with harmful conditions of work, granting of greater rights in the solution of these questions directly to enterprises) would make it possible to obtain at least 2-3 billion rubles.

Additional funds could be found through the establishment of common conditions and norms of provision for all workers without singling out departmental systems where the level of pension provision is much higher.

## LABOR

### AUCCTU Statute On Workers' Control System Published

18280047 Moscow TRUD in Russian 23 Dec 88 p 2

[Unattributed article: "Statute of the Labor Union Workers' Control System at Enterprises and Organizations Involved in Trade, Public Food Service, and the Service Sector"; first two paragraphs are introduction]

[Text] A VTsSPS [All-Union Central Soviet of Labor Unions] task force has completed a draft of the Statute of the Labor Union Workers' Control System at Enterprises and Organizations Involved in Trade, Public Food Service, and the Service Sector. The bill is now available for discussion by labor union organizations, workers' controllers, and personnel in the trade, community and professional services, as well as food service sectors.

We would like to ask that you send your comments and suggestions to: VTsSPS [117119, Moscow, Leninskiy Prospekt, Bldg. 42]; to the editors of TRUD [103792, City Post Office, Moscow, K-6, Nastasinskiy Ln., Bldg. 4]; and to SOVETSKAYA TORGOVLYA [103687, City Post Office, Moscow, K-12, Razin Street, Bldg. 14].

### General Provisions

In accordance with the USSR Labor Unions Charter, the councils and committees of the labor unions will implement a control system to audit enterprises, trade organizations, public food service facilities, and providers of medical, city, transportation, and other services to the public.

Workers' control inspection offices will be established to prevent: abuses, theft of goods and food, speculation in these items, theft of socialist property, spoilage and loss of material goods at enterprises and organizations involved in trade, public food service, medical care, community and professional services, and transportation, as well as at cooperatives involved in public food service, trade, and community and professional services (hereafter shortened to: trade, public food service, and the service sector). These offices will be established at the VTsSPS level, as well as at labor union central committees and labor union councils (oblast level inclusive). At labor union committees (hereafter shortened to profkoms), commissions will be set up, while at the labor union shop committee level, workers' control teams will be formed.

The workers' control inspection units at the VTsSPS and labor union central committees, as well as at republic-, kray-, and oblast-level labor union soviets and committees will be established through a resolution of the presidium of the appropriate labor union organ. The personnel will be chosen from among this organ's staff and core members.

The personnel of the workers' control inspection unit, including its chairman and vice-chairman, will be confirmed by the labor union organ for the duration of its term in office. The number of personnel will be set by the appropriate labor union organ in accordance with the volume of work.

The profkom workers' control commission and the labor union shop committee (profburo) workers' control team will be elected by an open vote at an assembly (conference) of the appropriate labor union organization. Those present will include the chairman, vice chairman, and the members of the commission and the workers' control team. The number of members in the commission and workers' control team will be determined by the party assembly (conference) in accordance with the volume of work.

In the process of establishing the workers' control inspection units, commissions, and teams, provisions must be made for the regular replacement of the members of these organizations.

A member of a workers' control inspection unit, commission, or team who does not fulfill his responsibilities may be discharged from them by the appropriate labor union organ and the labor union assembly (conference).

### Objectives and Responsibilities of Workers' Control Inspection Units, Commissions, and Teams

The main objectives of the workers' control inspection units, commissions, and teams are:

- protecting the rights and interests of workers, and pursuing any violations of the principle of social justice that impair the ability of various social groups or segments of the population to secure needed goods and services;
- identifying operational weaknesses at enterprises and organizations involved in trade, public food service, and the service sector, and eliminating them;
- sharing the experience of: enterprises and organizations involved in trade, public food service, and the service sector; those of their personnel who exemplify a superior, service-oriented culture; and labor collectives at industrial enterprises, construction sites, and organizations that, through their sponsorship, assist the collectives of enterprises and organizations involved in trade, public food service, and the service sector upgrade their working conditions, living standards, and leisure time.

In accordance with the responsibilities they have been given, the workers' control inspection units, commissions, and teams will check the distribution of goods and the allocation of commodities from central sources, particularly for goods and commodities that are difficult to obtain. They will also: check retail prices and duties on services; determine whether rules pertaining to work, trade, and services have been observed; verify that materials and goods are being properly safeguarded; and study the condition and level of sophistication of the resource base supporting enterprises and organizations involved in trade, public food service, and the service sector, as well as the status of the network linking these organizations.

The workers' control inspection unit at the VTSPS, labor union central committee, and republic-, kray-, and oblast-level soviets and committees will:

- give organizational and procedural assistance to the workers' control commissions and teams of profkoms and labor union shop committees; and give the appropriate labor union organ suggestions on how to improve organizational performance;
- monitor the operations of enterprises and organizations involved in trade, public food service, and the service sector;
- take steps to stimulate interaction between labor union workers' control members and local Soviets of Peoples' Deputies commissions, peoples control organs, the control organ of the komsomol, rest homes, health care facilities, other state and department organs, labor and war veteran soviets, parents committees, women's soviets, consumer societies, and the people; at the same time, a comprehensive, nationwide, continuous audit of the operations of enterprises and organizations involved in trade, public food service, and the service sector will take place.

The profkom commission and workers' control team and the labor union shop committee (profburo) will monitor the operations of those enterprises and organizations involved in trade, public food service, and the service sector that the profkom is responsible for.

Workers' control inspection units, commissions, and teams belonging to labor union committees, profkoms, medical personnel labor union shop committees, state institution personnel labor unions, and education and science labor unions will monitor medical services, school cafeterias, vocational schools, secondary specialized schools, institutions of higher learning, pre-school facilities, boarding homes for the aged and disabled, and clinics. The details of how the workers' control organizations will pursue their responsibilities at these organizations and enterprises are to be determined by the appropriate labor union central committees.

#### **Powers of the Workers' Control Inspection Units, Commissions, and Teams**

Within the ambit of their authority, the workers' control inspection units, commissions, and teams have the right to:

- examine the retail, warehousing, and other facilities of enterprises and organizations involved in trade, public food service, and the service sector (when they are the subject of an audit) without regard for the department that is administratively responsible for them;
- purchase goods for inspection purposes, obtain product and food samples for inspection and laboratory analysis (with the understanding that costs are to be borne by the enterprise being inspected);
- if necessary, require that certain goods in warehouses and depots be placed on the market, and that sub-standard products and food service items be removed from the marketplace; additionally, require that the agencies in charge of enterprises involved in trade, public food service, and the services sector conduct unannounced inspections of these organizations when they are under audit, and that workers' controllers be permitted to accompany their inspectors;
- familiarize themselves with documentation, materials, instructions, and orders, as well as obtain necessary information when inspecting enterprises and organizations involved in trade, public food service, and the service sector; this information is to be made available by the organ responsible for the named organizations up to the ministerial, departmental, and state committee levels; they also have the right to make copies to use in their reports of violations;
- obtain explanations, including written ones, from managers and other officials of enterprises and organizations involved in trade, public food service, and the services sector, as well as from ministries, departments, and state committees, of violations discovered in the course of audits and the measures taken to deal with them;
- if necessary, present suggestions emanating from the findings of inspectors to the appropriate state management agencies and public organizations;
- issue instructions for requiring the inspection, marking, and repair of broken and unmarked weighing and other measuring devices, as well as of those whose certification has expired, or for prohibiting the use of the same;
- at their meetings, hear the statements of managers and personnel of enterprises and organizations involved in trade, public food service, and the service sector regarding the state of affairs with respect to serving the



public, as well as the measures undertaken to correct violations and abuses, and punish offenders; to propose ideas on how to improve quality and encourage a service culture;

—make proposals about improving retail, community, and professional services, as well as punishing violators, and make these proposals available for study to soviets and committees of labor unions and enterprises and organizations involved in trade, public food service, and the service sector;

—when necessary, make materials pertinent to thefts, abuses, and other crimes committed by officials and discovered in the course of inspections available to criminal investigators;

—provide conclusions and recommendations about the operations of enterprises and organizations involved in trade, public food service, and the service sector when such organizations are nominated for awards or bonuses based on their performance in socialist competition; and make suggestions about which individuals and units deserve awards for the quality and service-oriented character of their relationship with clients and the public.

The managers of enterprises and organizations involved in trade, public food service, and the service sector are responsible for helping labor union workers' control units with their regular work. They must review suggestions, questions, and requests without delay, and respond within the deadlines that are set for this purpose.

Individuals who interfere with the ability of workers' control units' to perform their duties, or harass their personnel in connection with their work will be held legally responsible.

#### **Operational Procedures for Workers' Control Inspection Units, Commissions, and Teams**

The workers' control inspection units, commissions, and teams will be guided in their work by the appropriate labor union organ, and will report to this organ regularly. Each member of the workers' control commission or team will give a regular report on his activity at the meetings (conferences) of the work unit that elected him.

The workers' control inspection units, commissions, and teams will be guided in their work by existing laws, the standards that govern trade, medical, professional, community, and transportation services, as well as public food service, and this Statute.

The workers' control inspection units, commissions, and teams will meet as necessary.

Every staff and contract member of a workers' control inspection unit, commission, or team will be given a controller certificate with his picture on it. This card, which will be issued by the appropriate labor union organ, will be signed, stamped, and sealed in accordance with this organization's convention and will authorize the bearer to inspect enterprises and organizations involved in trade, public food service, and the service sector. Core personnel who are recruited for occasional inspection assignments will be given temporary certificates, which will be valid when supported by proof of identity.

Enterprises and organizations involved in trade, public food service, and the service sector will be assigned to labor union committees by the labor union soviet responsible for coordination with the ispolkoms of local Soviets of Peoples Deputies.

Every enterprise involved in trade, public food service, or the service sector will prominently display the name of the profkom assigned to audit the facility, its telephone number, and the telephone numbers of the industry committee and soviet of the labor union to be contacted in case of complaints about trade, medical, community, and professional service organizations, as well as public food service facilities.

Workers' controllers will ensure that their work is in strict conformity with socialist legal principles. Audit inspections will be carried out by teams of workers' controllers composed of at least two persons. When necessary, buyers will be hired.

When they discover violations and abuses, workers' controllers will prepare a statement in quadruplicate. Along with other materials from the inspection, the first copy will be given to the appropriate labor union on the day after the inspection. Two copies will remain at the inspected enterprise or organization. One of these will be used to help correct violations, while the second will be given to the organization administratively senior to the one inspected. The fourth copy will be kept by the controllers. The workers' controllers will make entries in their logbooks on the results of their inspections and will include suggestions on how the problems they identified can be resolved, as well as deadlines for doing so. The findings from inspections will be organized in accordance with approved USSR Ministry of Trade and USSR Tsentrosyuz (in coordination with the VTsSPS) instructions on the conduct of audit inspections, and will address the extent to which enterprises in the trade and public food service sectors are in compliance with regulations.

Workers' controllers who are inspecting trade and public food service enterprises must wear special protective clothing. This must be provided by the administration of the inspected enterprise. Controllers must also observe all established hygiene regulations.

Disputes between workers' controllers and managers of enterprises and organizations involved in trade, public food service, and the service sector will be reviewed by

labor union soviets and committees and profkoms jointly with the management of the administratively senior organization involved in trade, public food service, or medical, professional, community, and transportation services. Disputes between workers' controllers and the staff of cooperatives involved in trade, public food service, and medical, professional, and community services will be dealt with by the appropriate labor union organs and local Soviets of Peoples Deputies.

**AUCCTU's Role In Electoral Process Examined**  
*18280031 Moscow TRUD in Russian 20 Nov 88 p 2*

[Article by S. Shkurko, director of the AUCCTU Scientific Center, doctor of economic sciences: "Trade Unions Are Interested in This"]

[Text] Only a few days remain before the convening of the USSR Supreme Soviet, at which changes in and supplements to the USSR Constitution should be examined. A process of interpreting the proposals and remarks made in the course of the nationwide discussion is going on. Under these conditions it is necessary once again to turn to the Constitution's new provisions, in particular such as the election of deputies of a higher body of power from public organizations.

Not everyone perceives such a decision as obvious under the new conditions of the country's development. To many it seems not fitting into the logic of previous ideas of elections: One voter, one vote; only citizens can elect to bodies of Soviet power. To this are added doubts as to the validity of the number of deputies from various public organizations, the composition of these organizations, the procedure of elections of deputies at congresses and plenums, the retention, along with this, of the right of public organizations to nominate candidates for deputies in electoral okrugs, and so forth.

In order to dispel these doubts, it is necessary to agree on the chief thing—initial provisions for the formation of new bodies of power. The provision of the 19th All-Union Party Conference to the effect that the political reform in society is called upon to adjust the mechanism of democratic disclosure and formation of the interests and will of all classes and social groups and their coordination and realization in domestic and foreign policy should be the basic here. This can be attained in the activity of higher bodies of power only if public organizations representing the interests and will of diverse classes and social strata of the population are guaranteed—precisely guaranteed—a place in the bodies of this power. Only in such a way is it possible to really ensure the reflection in laws and decrees not only of the interests of the population at large, but also of its diverse groups, and not only of the majority, but also of the minority. Thereby, the most diverse social forces will be included in active work on advancing the national economy and restructuring all the aspects of society's life.

Trade unions are mass public organizations. They express workers' interests connected with labor utilization, their social development, and manpower reproduction. Trade unions have a vital interest in a system of power that would enable them to realize and, if necessary, to protect workers' interests.

Previously, under the conditions of the command-bureaucratic management system, trade unions upheld the interests of their members primarily through interaction with bodies of state administration, adopted joint decisions with the USSR Council of Ministers, ministries, and departments, and participated in their work. Now all the most important social and economic problems will begin to be examined by representative bodies. This applies not only to long-term and current plans for our development, but also to the utilization of labor resources, wages, environmental protection, price formation, citizens' rights and freedoms, and so forth. That is why the main work of trade unions should be transferred to bodies of power. They should submit their proposals and uphold and protect their positions here. For this it is necessary to be represented in bodies of power and to work in them. After all, it is not a matter of previous equal partners—bodies of state administration—but of bodies of power, which adopt their decisions independently, not jointly or according to an agreement.

Under these conditions it is not sufficient for trade unions to have legislative initiative, that is, the right to submit proposals to bodies of power. They need their own representative group, delegation, or, one may say, "fraction," which should constantly—the Supreme Soviet will work continuously for most of the year—participate in its activity and contribute its share to the consideration and adoption of laws, at the same time, upholding the interests of their members. Otherwise, socialist pluralism, about which we have only begun to talk, would be lost in the political system and a situation would arise, in which command-bureaucratic forces could again subordinate the work of bodies of power to their ideas and interests separated from the interests and needs of many social groups and strata of workers and the population. Irreparable damage would be done to socialist society.

Having taken as the basis the expressed views of the chief thing, that is, the obligation on the part of public organizations to directly participate in the formation of bodies of power, naturally, it is necessary to give serious thought to the most effective and successful mechanism of such participation. It is obvious that in this mechanism some citizens will participate in elections twice: once as citizens and for the second time as members of certain public organizations. The same person can be a party member, a trade-union member, a member of a women's organization, and so forth. However, entering one social structure or another, he expresses the interests of this structure and, therefore, there is no reason, as some colleagues propose, to bar those that have already

voted on behalf of some public organization from voting for the second time. Apparently, there can be such rare cases, but that is not the question.

Ensuring a full democratism of elections of deputies from public organizations is basic. Many authors pointed this out in their addresses and they did this correctly. The amendment to the Constitution on this matter is unsuccessful. It proceeds from the fact that all-Union or republic bodies of public organizations nominate candidates for deputies. The directive that, at the same time, the opinion of members of organizations should be taken into account does not save the situation owing to its lack of concreteness.

It seems that the matter regarding the procedure of electing deputies at congresses and plenums of public organizations concerns the public organizations themselves and their political prestige. It is necessary to discuss the procedure of election of deputies from trade unions, to enlist the widest trade-union aktiv in this, and to announce this on the pages of the trade-union press. Mistakes cannot be made here, because this concerns deputies, who will champion the interests of trade unions. The old habit of presenting at elections candidates from among workers, employees, young and elderly people, men, women, party and nonparty members, skilled and unskilled workers, and so forth is hardly suitable. High professionalism and devotion to the trade-union movement, apparently, should become the main criterion for nominating candidates. Sectorial and territorial trade-union organizations should nominate candidates for deputies at congresses and plenums through their delegates or plenum members, which, naturally, presupposes extensive preliminary mass work.

It is impossible not to admit that the proposed quotas of deputies from public organizations are highly conditional and, undoubtedly, will be made more precise in the future as the structure and number of public organizations change. It is hardly possible to find scientifically substantiated principles of determining such quotas. Political practice and experience are needed. However, there is one fundamental problem, which should be solved urgently: How will the elections of deputies from public organizations of the Russian Federation be held? After all, a Russian trade-union organization, like many others, simply does not exist. It is highly probable that within the framework of trade unions a conference held by representatives of plenums of RSFSR oblast (kray) trade-union soviets and committees could undertake this function.

The number of deputies from public organizations has been determined for the formation of the USSR Congress of People's Deputies. However, the problem of representation of deputies from public organizations at the Supreme Soviet remains. The latter is a permanently acting body of power. Here most laws and decrees will be worked out and adopted and control over their fulfillment and the activity of bodies of state administration

will be exercised. Therefore, it would be desirable to find the formula of representation of public organizations in the Supreme Soviet. Otherwise, it can also happen that a certain organization will not be represented in this body at all, or will be in an extremely reduced form: 100 deputies in the congress and 2 in the Supreme Soviet. Most likely, it is necessary to give congress deputies from public organizations the right to nominate their candidate members of the Supreme Soviet, adhering to the same proportions that are established for the representation of public organizations in the congress.

And lastly. In connection with the direct election of deputies from public organizations there is the question of the legitimacy of preserving the unchanged old norm of electoral law: concerning the nomination of candidates for deputies by public organizations in electoral okrugs. Otherwise, a double nomination of candidates from public organizations is possible. This would hardly be correct. It seems possible from article 100 of the Constitution, which indicates who has the right to nominate candidates in okrugs, to exclude public organizations, leaving labor collectives and meetings of voters and servicemen. Naturally, when they nominate candidates for deputies, public organizations will take the most active part.

#### **Greater Independence for Trade Unions Advocated** *18280025 Moscow TRUD in Russian 6 Oct 88 p 2*

[Article by V. Vishnyakov, Kafedra head, VShPD [Higher School for Political Activists], All-Union Central Council of Trade Unions, doctor of Juridical Sciences, Professor: "Ask or Demand?"]

[Text] The main question interesting participants at the 3rd Plenum of the AUCCTU [All-Union Central Council of Trade Unions] was how, during the radical economic reform and democratization, to increase trade unions' role in our society's political system. Several constructive suggestions were made, most of which were included in the plenum's decisions.

Today workers in trade union organs, specialists and scientists are discussing materials from the AUCCTU Plenum, and trade union tactics concerning the demands of perestroika and means and methods of attaining goals posed by the 19th CPSU Conference.

In trade unions people are more frequently asking how to simultaneously defend the interests of individuals, the collective and the state when there are contradictions between them and how to combine trade unions' protective functions with their other tasks. Why, in spite of their calls upon themselves to put an end to the politics of "compromise," to decisively stop any distortions of the new economic mechanism, are there still acute problems of overtime work, violations of conditions for paying workers, etc?



There are also questions about the effectiveness of decisions at the 18th Trade Union Congress and the practical measures for their realization. Can they provide for the radical restructuring of trade unions, qualitatively change their oblast committees, and decisively enhance their role in our society's political system? Take, for example, the plan of AUCCTU practical measures to accelerate perestroika in trade union work. This plan was compiled after the trade union congress.

In my opinion, analysis shows that it does not guarantee a radical break with the traditional mechanism of interaction between trade unions and state and economic management. Out of 153 measures and suggestions in this plan, only 30 involved the appearance of central trade union organs at governmental institutions and central agencies. However, as can be seen, these suggestions do not have the character of "hard" representation of working people's interest.

Above all, such representation should be based upon a study of practical work by trade union organizations, labor collectives, a revelation of the real (without the slightest idealism) state of affairs, an independent and objective elaboration of the most important questions and plans for solutions to them, the preparation of alternatives, their active and fundamental defence during discussion and approval at legislative and executive organs.

Perestroika in trade union work is really the most important question. It requires, first of all, participation by the entire AUCCTU apparatus and sectoral trade unions. This is because their very position in the system of general state and sectoral organs of administration makes it possible not only to express, but to actively defend the fundamental interests of all social groups and strata. Even the smallest concession during the preliminary development and discussion of drafts of various departmental statutes and instructions can threaten labor collectives at enterprises and organizations and doom primary trade union organizations to ineffective and exhausting struggles over these documents after they have been approved.

This happened first at the USSR Minlesprom [Ministry of the Timber, Pulp and Paper, and Wood Processing Industry]. Collectives at several enterprises did not agree with agency positions on the amount of profits which were to remain at their disposal and which were to go to the formation of the economic incentives fund. The Central Committee of the Trade Union for the Timber, Paper and Wood Processing Industry came to the defense of the labor collectives. With help from the AUCCTU and USSR Gosplan [State Planning Committee] it succeeded in overcoming the differences. The sector's fund for social development at enterprises was increased by 20.3 million rubles.

Incidentally, in recent months the AUCCTU has made several important suggestions to the government: On

increasing, to 78-89 percent, the share of national income going to towards consumption, simultaneously increasing expenditures for social-cultural construction, on accelerating industry's turn towards meeting the public's demand for goods and services, on developing sectors in group "B", and on other aspects of social policy and the legal defence of working people. All this is being done without sufficiently broad glasnost or informing working people about the realization of these suggestions.

In this regard it is interesting to recall the 1920's, when during the formation of a mechanism for relations between trade union and the state, a direct influence was expressed by Leninist ideas about trade unions' roles under socialism. In its resolution "Trade Unions and Economic Construction" the 4th All-Russian Congress of Trade Unions (May 1921) noted that they participate in all state and economic organs' work by sending delegations of permanent representatives, by discussing and making decisions about economic questions at joint meetings and by including many of their leaders in economic management organs. Economic managers had to report to their appropriate trade union organs. Enterprise and agency plans and programs could not be approved without the agreement of interested trade union organizations. Neither could an economic manager be hired or fired without them. If there were attempts to violate these rules, then trade unions had the right to protest these actions.

However, the gross violations of the principles of socialist democracy in the 1930s and after could not but lead to distortions in Leninist principles for the structuring and activities of trade unions and to deformation of their place and role in socialist democracy. Trade unions were almost eliminated from the political arena and to a great extent merged with economic organs. Under such conditions they could not stand up against the management apparatus and the bureaucratization of production and social relations.

A detailed analysis of this process still requires research. However, the results of these past deformations are to some extent expressed in the USSR Trade Union Charter approved by the 18th Congress. It lacks a specific legal mechanism for relations between parties with equal rights—the trade unions and the management apparatus. In its most general form it talks only about "participation" by the AUCCTU in compiling and supporting the fulfillment of state plans for the economic and social development of the USSR, measures for "further improvement" in forms and methods of management and the economic mechanism. There is no mention of where to participate, in what organizational forms and through what mechanisms the participation will take place.

True, provisions were made for more specific work by ministries and sectoral trade union organs involving questions of "production, labor, personal life and culture" at enterprises and organizations. However, even here trade union organs only "listen" to ministry and agency reports on this work.

Here is what this leads to in practice. In May 1986 the AUCCTU passed the decree "On the Draft to the State Plan for the Economic and Social Development of the USSR during 1986-1990." No serious critical comments were made in the statement part of this document, while in the declarative part no large problems were presented to the higher organs of power and administration. The AUCCTU Presidium only asked USSR Gosplan to examine some suggestions and comments when the draft was being completed. During discussion of the draft to the Plan for the Economic and Social Development of the USSR during 1988 the AUCCTU will ask USSR Gosplan to examine the very same suggestions.

A draft of the Law on the Rights of USSR Trade Unions is now being prepared. It is still not clear if it will bring anything new to relations between trade unions and state and economic organs. Such "modesty" is because the legal forms of trade union participation in economic management were determined by organs of state power. This line led to trade union organs gradually losing their independent positions.

As a result it became problematic whether trade unions could conduct an active social policy. As stressed at the 27th CPSU Congress, they permitted the social sphere to lag behind production developments, they could not act as a counterweight to technocratic impulses, or actively stand up against bureaucratic echelons of power in working out and applying social norms. Only on the basis of trade unions can one assure a proper combination between developments in the social sphere and the satisfaction of working people's demand for housing, personal services, education, health care and recreation. The lack of such norms has become one of the reasons for the formation of surplus fixed productive capital in the economy, this totals about a third of a trillion rubles.

However, new industrial construction continues at hypertrophic rates and obsolete capital has accumulated. These surpluses have caused shortages of funds for nonproduction use: housing, schools, hospitals. Plant shops are full of obsolete machinery, while in many oblasts the housing shortage is 20-25 percent of demand.

It is asked, did trade union organs know about this and, if they did, why, during discussions of drafts for annual and five-year economic and social development plans, didn't they speak out decisively and uncompromisingly against the residual principle in the allocation of resources for social development? And why, after the introduction of the Law on State Enterprises are trade

unions often not in a position to neutralize bureaucratic tendencies towards the centralized distribution of enterprise profits through the approval "from above" of increased norms?

Although norms are formally agreed upon with sectoral trade union central committees, these latter are in fact often excluded from normative development, coordination and approval. As a result, ministerial administrative-command methods of leadership disrupt labor collectives' ability to mobilize deep reserves based upon long term and stable economic norms.

The problem is not only that trade union central committees cannot stand up against ministry pressure. It is considerably deeper. Recall that at a country-wide level the development of sectoral norms, plan-accounting totals for incentive funds and the procedures for their formation (for USSR ministries and agencies) were approved by USSR Gosplan and agreed upon with the AUCCTU. Correspondingly, documents for the formation and expenditure of incentive funds and fund formation indicators were approved by a joint decision of USSR Gosplan, the USSR Ministry of Finance, the USSR State Committee for Labor and Social Problems and the AUCCTU. For example, in 1988, a total of 15 billion rubles was set by USSR Gosplan for ministry and agency material incentive funds, and 6 billion rubles for the social development fund. Ministries and agencies claimed these norms were the absolute totals for funds. To a great extent this is the reason for their arbitrary character and lack of an economic basis.

There can only be one conclusion: Without restoration of proven organizational and legal mechanisms for revealing, discussing and solving contemporary problems by trade organizations and without the use of new mechanisms, it is difficult to talk about the neutralization of bureaucratic tendencies at various levels of management or about the proper "combination" of society's interests and labor collectives' interests as the master of production. Therefore, trade unions should have a growing role in the creation of a reliably operating system for economically protecting collectives.

The AUCCTU is now trying to do a lot in this direction. It has categorically opposed the USSR Ministry of Finance suggestion to make deductions from enterprise economic stimulation funds in order to finance additional health care measures. This would take up to three billion rubles annually from these funds.

The fundamental, systematic protection of working people's common social and economic interests should be based upon central trade union organ activities. The plan for their restructuring still lacks key features such as control over the distribution of public consumption funds and the struggle against bureaucracy. History shows that trade unions should more actively participate

in control over the use of state and local budgets; establish the source and size of incomes, the correct distribution of resources for housing construction, health care, education, etc.

Trade unions are now doing a great deal to improve all elements of the pay system. At the same time, elements of the leveling approach have not been broken. Many workers only have vague ideas about the principles, conditions and purposes of the wage reform. The administration often tries to solve this problem without support or active participation from the collective. As a result workers do not know how much they have to accumulate in order to increase wages and salaries, nor how the growth in real earnings will be paid for. Many trade union committees either avoid this or include in the new labor conditions the old, fallacious principle of leveling, preserving the gap between measures of labor and its payment.

Full cost accounting and self-financing for enterprises and the new labor legislation have sharpened the problem of people's social protection: will not the humanism of socialist principles be sacrificed for the sake of economic advantage? To prevent this there should be a reexamination of old ideas about the nature of trade unions' protective functions. I think that this should be one of the most important tasks in drawing up the draft to the Law on the Rights of USSR Trade Union.

### Hazardous Labor Conditions Cited

#### Labor Official's Report

18280020 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 40, Oct 88 p 18

[Article by L. Sharikov, deputy chief of the Administration for Labor Organization, Productivity, and Conditions of Goskomtrud SSSR: "Send a Commission and... Establish the Hazard"; first two paragraphs are *EKONOMICHESKAYA GAZETA* introduction]

[Text] In the country about 6 billion rubles are annually allocated for labor protection measures, including expenditures on special food and work clothing. At the same time, more than 3 million people still work at increased levels of gas and dust content in the atmosphere of the work zone, about 2 million workers are employed under conditions of increased industrial noise, and approximately the same number perform heavy physical labor.

In order to "soften" the effect of hazardous production factors, various privileges and compensations are granted to workers, which, in its essence, is a humane act. Unfortunately, however, scientifically substantiated criteria for determining the adequacy of the amount of compensation to the extent of the damage do not yet exist. Therefore, the practice, in which the manifestation of subjectivism has become the rule, not the exception, controls everything.

### Privileges at Any Price?

Life shows that ministries and departments unrestrainedly try to expand the circle of people enjoying certain types of privileges and compensations even if there is the possibility of ensuring normal working conditions. Nor do enterprises lag behind them. Cases of "getting hold" of preferential pensions, a shorter work day, and additional leaves have become especially frequent recently. And what is characteristic is the fact that, when there is a fundamental change in working conditions, not a single enterprise rushes to announce the cancellation of the privilege.

For example, rotating furnace operators and their assistants in cement production have not been subjected to the effect of high temperatures and a high gas and dust content for a long time. In practice, their work places are on bright and clean premises at electronic control desks. However, these workers retire on pensions at the age of 50, like miners. Thus, the wide popularization of privileges and compensations has deformed the idea of their essence and true function.

For a long time the existing procedure of granting privileges and compensations has produced a powerful mechanism of deceleration of the work on improving working conditions. Many ministry, department, and enterprise managers have forgotten their direct obligations—to create healthy and safe conditions in industry.

For example, not long ago Yu. Novoselov, deputy minister of the electrical equipment industry, appealed to Goskomtrud SSSR [USSR State Committee for Labor and Social Problems] to extend the right to preferential pensions to shop workers at one of the association's shops. His letter indicated that in that shop the concentration of mercury vapors exceeded the maximum permissible norms from 5- to 45-fold(!). The temperature at some sections reached +38 degrees C (!) even in winter. And further: "In connection with the effect of the indicated hazardous factors cases of occupational diseases in shop workers are recorded annually (!). More than 500 (!) people have been taken out of the shop to other jobs."

It would seem that the ministry should sound the alarm in connection with the situation that has been created and take the most energetical measures to create normal working conditions. However, the deputy minister understands concern for people in his own way. To improve labor conditions is a troublesome matter, whereas the state will pay for the pension.

A shop for the impregnation of technical threads was put into operation at the Balakovo Khimvolokno Association not long ago. The shop had not yet managed to master the output of products when D. Melnikov, general director of the association, "set" the following task for the Ministry of the Chemical Industry: to establish for all shop workers, including the chief, an additional



12-day leave, a shorter 6-hour work day, and wages at higher rates and scales. The argument: the shop's pollution with harmful chemical substances in connection with gas leakage "through leaks in the stuffing box seal of mixers and locking fittings."

This is the state of helplessness and dependence on others to which one can come! Former deputy minister V. Smirnov, instead of instructing the general director to eliminate the "leaks in the stuffing box seal," hastened to write an application for the establishment of privileges.

The technology of spraying polyurethane foam on metal was introduced at the Kurganselmash Association of the USSR Ministry of Tractor and Agricultural Machine Building a few years ago. This process is truly hazardous, in connection with which an additional leave and a shorter work day were established for workers in 1985. Naturally, it is necessary to urgently search for a replacement for toxic polyurethane foam and to involve scientific forces in the solution of this problem. However, the ministry did not even think about this. Now the spraying of polyurethane foam on metal has been introduced at the Lipetsk Tractor Plant Association. And again the ministry is not concerned about improving labor conditions, but about establishing privileges.

Deputy minister V. Postolny together with Yu. Staroverov, secretary of the Trade-Union Central Committee, who, incidentally, should have impeded the spread of hazardous production, wrote a petition to Goskomtrud SSSR. In it they reported that harmful chemical substances "in the process of spraying get into workers' upper respiratory tracts, eyes, and skin." They directly demanded that the privileges previously established for Kurganselmash workers be extended to workers at the Lipetsk Tractor Plant Association, at the same time, trying to get the right to preferential pensions for them.

I believe that, getting such privileges, neither the ministry nor the Trade-Union Central Committee will any longer mention the labor conditions of the workers to whom they will be granted.

#### The Worse, the Better

At present more than 300,000 people annually retire on preferential pensions. Expenditures on these purposes exceed 6 billion rubles annually. The number of people working a shorter work day with a full payment of wages and the number of people enjoying additional leaves for work under hazardous labor conditions are increasing. This leads to the shortening of the available work time and slows down the rates of labor productivity growth and, consequently, the rates of rise in the general well-being.

Under full cost-accounting and self-financing conditions many enterprise managers hold the opinion that collectives themselves are free to solve problems connected with the length of leaves and work time. One could agree

with such opinions if the expenditures on privileges and compensations were paid with funds earned by the enterprises themselves. For the time being, however, they are put down to production costs of products and, consequently, enter their price (at the rate of approximately 6 percent). Putting expenditures connected with the granting of privileges and compensations down to production costs of products in no way interests labor collectives in regulating them. An impression is created that the share of such expenditures in production costs is insignificant. For example, what do some 400,000 to 450,000 rubles spent on a free milk distribution constitute in the production costs of ZIL's [Moscow Motor Vehicle Plant imeni I. A. Likhachev] gigantic volume of output? A sheer trifle.

We have become accustomed to the fact that privileges and compensations are our social achievements aimed for the good of the people. To a certain extent this is so. Along with this, it is time to realize something else: No, even the most "preferential" privilege, which our state budget can permit, will protect man's health against damage. Is it possible to protect a person against deafness with some privilege, if he is under conditions of increased industrial noise every, even if shorter, work day for many years? Those through whose fault work places with difficult and hazardous labor conditions are reduced at a snail's pace should realize this well.

#### To Stimulate Health

Of course, it is not a matter of cancelling privileges and compensations. As long as unfavorable labor conditions exist, they should be retained, because nothing else can "soften" the effect of such conditions on man's health. However, it is extremely necessary to regulate the system of granting them. It should be built so that from a mechanism of deceleration it may be transformed into a mechanism of acceleration of the process involved in improving labor conditions in all national economic sectors. This will become possible if the granting of privileges and compensations is connected with the new economic mechanism.

It seems that it is necessary to give up the centralized regulation of privileges and compensations and to eliminate the lists and enumerations according to which they are established. Let state regulation remain only for production facilities, where for now it is impossible to create normal or safe labor conditions: in underground work, work under water, and other work connected with a certain risk. In such cases privileges should be guaranteed by the state and be granted at society's expense.

At all other production facilities labor collectives themselves should regulate what privileges and compensations, in what amounts, and at what jobs and work places can be granted. Preferential pensions are not an exception. Under no circumstances should expenditures be put down to production costs of products. When labor conditions are improved, they will be reduced and it will

be possible to assign the saved funds, for example, to the wage fund. Nor will those who will lose their right to privileges when labor conditions are improved be the worse off for it. After all, under improved conditions favorable opportunities are created for providing oneself with higher earnings through one's work. And above all, health, which, as is well known, cannot be bought with money, will be preserved.

It is also necessary to create a mechanism stimulating labor collectives to improve working conditions more actively. Possibly, a charge for work places, at which difficult and hazardous conditions remain, should be introduced. For example, enterprises would deduct at certain normative capital from the fund for the development of production, science, and technology into a similar fund of the ministry. The latter could place

orders with scientific research institutes and design offices for planning projects and designing new equipment and various devices improving labor conditions. In case of elimination of unfavorable conditions the indicated capital can again be assigned to the wage fund.

Other alternatives are also possible. They should be sought. The chief thing is to replace the mechanism of deceleration in improving labor conditions with a mechanism of acceleration.

#### Goskomtrud Statistics

18280020 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 40, Oct 88 p 18

[Goskomtrud table published for the first time]

[Text]

#### Goskomtrud Statistics—According to Goskomtrud SSSR Data

Ministries	Number of workers employed under unfavorable labor conditions, thousand people		Expenditures on the fulfill- ment of labor protection mea- sures (according to collective contracts), million rubles		Number of workers receiving additional leaves for hazardous labor condi- tions on 1.06.87, thousand people	Percent of the total number
	on 1.01.86	on 1.01.88	in 1986	in 1987		
USSR Ministry of the Coal Industry	775.2	688.4	250.7	275.2	1213	73.0
USSR Ministry of Ferrous Met- allurgy	620.4	503.5	148.8	153.5	1108	65.9
USSR Ministry of Nonferrous Metallurgy	326.2	277.4	101.1	99.6	556	63.7
USSR Ministry of the Chemical Industry	234.2	171.7	43.6	45.7	544	65.2
USSR Ministry of the Petro- leum Refining and Petrochemi- cal Industry	99.8	65.5	59.2	45.9	469	69.0
USSR Ministry of Heavy and Transport Machine Building	181.5	145.6	20.4	26.5	261	32.7
USSR Ministry of Chemical and Petroleum Machine Building	103.7	67.2	18.5	21.9	134	32.5
USSR Ministry of the Machine Tool and Tool Building Industry	116.0	74.2	25.0	27.0	169	28.7
USSR Ministry of Tractor and Agricultural Machine Building	235.6	152.6	31.4	41.1	324	30.4
USSR Ministry of the Electrical Equipment Industry	291.1	136.7	34.9	35.1	329	34.9
Throughout the national econ- omy	14969.4	9374.1	3085.6	3225.1	34761	30.4

Despite the increase in expenditures on labor protection and decrease in the number of workers employed under unfavorable labor conditions, expenditures on a free milk distribution and a preventive medical diet are growing, reaching 813 million rubles annually.

The number of workers enjoying additional leaves for work under hazardous labor conditions greatly exceeds the number of workers actually employed in such jobs, that is, many workers receive these leaves groundlessly.

Expenditures on privileges and compensations for work under hazardous labor conditions (payments in addition to wage rates, an additional leave, and a shorter work day) total about 7 billion rubles annually. More than 6 billion rubles are annually spent on payments for preferential pensions.

**Organizer of Tallinn Coop Managers' School  
Interviewed**

18280024a Moscow PRAVDA in Russian 10 Nov 88 p 2

[Interview of V. Tarasov, organizer of the Tallinn Cooperative School of Managers, by PRAVDA correspondent V. Badov under the rubric: "The Science of Management": "Banker for an Hour, or The Hopes, Torments and Miscalculations of Manager Candidates"; first two paragraphs are source introduction]

[Text] Radical economic reform has created an acute demand for professional management—managers.

V. Tarasov, organizer of the Tallinn Cooperative School of Managers, concerning whom PRAVDA has already talked about ("Manager by 'Postchaise'," 10 Oct 88), discusses this problem with a PRAVDA correspondent.

[Question] How is it going with the managerial erudition of those who want to learn to be a manager?

[Tarasov] Worse than would be expected. We once proposed a simple test for reservists for filling managerial positions. Ten statements were written on a sheet of paper on the theory and practice of management. They were required to indicate who was the author of one or another characteristic statement, and for prompting 10 names were given: Machiavelli, Gastev, Ford, Maotzedong, Fayol, Taylor, Lenin, Weber, Carnegie and Emerson. And what happened? Most of the reservists were able to correctly recognize the author of a statement only in two-three cases out of ten.

Manager candidates had no idea, for example, of the origin of the system of management, organization and pay under the arrangements in which they worked and received their salaries. This is still not bad, oversights of VUZ training. But something else is bad: the actual competition on managerial erudition was considered by the majority of the participants to be intended only for know-it-alls, while they had been placed in the awkward position of being forced to make fools of themselves by having to answer at random. It turns out that they sincerely think of managerial erudition as a strange occupational field and in other words even see a certain virtue in ignorance.

[Question] Perhaps, this is a display of the widespread understanding of the nature of management as a purely empirical activity based on pressure methods?

[Tarasov] Yes, the long period of lack of a genuine demand for the art of management has given rise to simplistic ideas concerning who has the ability to be a manager. A noteworthy fact: 50 participants of one of the competitions that we held in Tallinn did not bat an eyelash in writing on the questionnaire that they would without fail occupy a position among the first ten.

[Question] What does this attest to?

[Tarasov] Many who entered the competition were guided by the thought: I am not appreciated at work, they keep me down, my potentialities remain unnoticed, but here, in an open competition, I shall without fail prove my worth. Certainly, much that is good is to be found in such a desire, but a sobering shower would also do no harm.

In my view, it is bad that for many young candidates the justification for managerial inaction, a kind of oblomovism, lies in complaints concerning the social milieu. I want to stress that for the professional manager there can be no such formulation of the question.

[Question] What deficiency of manager candidates particularly strikes the eye?

[Tarasov] The inability to tenaciously maintain an aim within the field of vision. It slips away, especially on steep turns, at acute moments when there are only counted minutes for the adoption of a decision. In general, the conscious or unconscious replacement of an aim is a typical mistake of our candidates.

[Question] For long years, the longing for leveling distorted not only the principle of payment based on labor but also implied a certain virtue in not putting up an outstanding worker against a mediocre one. At the same time in competitions of reservists conducted by the Tallinn school, on the contrary, an open competition, even confrontation of participants, was unambiguously dictated by the rules of the game. How did this contradiction affect the behavior of the competition's participants?

[Tarasov] Actually, they frequently were tempted to find a compromising decision that would permit participants varying in abilities and powers to secure the same grades at the competition. So that no one would feel slighted. Sometimes the target in a game was deliberately set in such a way that a group of four persons had to make a decision in which one participant would get a mark of 4, another 3, a third 2 and the fourth 1. But if they could not reach a decision, then all would receive no marks. For this reason clearly a decision was made for the sake of those who were psychologically weak. But one should not think that we knocked the participants' heads together. We simply simulated a situation that is encountered not that rarely in the life of a manager. There is no way that you can achieve an amicable agreement here. But still particularly enterprising participants were



found who were able to organize matters in such a way that those who received different marks in the course of several assignments in the competition finally acquired the same number of points.

Who then wins as a result of this brain-twisting organizational work? The weakest participants, that's who! They receive the same marks as those who are potentially the strongest. The loser is the organizer of this leveling agreement since his chances of getting into the promotion reserve are put on the same level with those who are weaker. What is behind all this? Magnanimity? No, the fear of personification. It is even found in public statements at a competition when after a group conference, it becomes necessary to describe one's point of view. The fear of personification has become firmly ensconced in the mind. This is not such an innocent defect for a manager candidate. The fear of personification is a frequent reason for simplification of management decisions at the cost of their deterioration.

[Question] Actually, we encounter at every step in life the phenomenon that the manager does not adopt the most advantageous but often a knowingly deficient solution for a problem that has come up, preferring it on all counts to a better one....

[Tarasov] Our typical manager has been taught by life to hold on to the golden mean. Each creative, nontypical decision creates an unhealthy interest among numerous verifying levels. It becomes necessary to justify oneself, to send formal replies and to prove. It happens, until the rightness of your decision is confirmed, that you may receive some blows. For this reason many people, including starting managers, incline to the belief that the understandability and persuasiveness of the decisions they adopted is preferable for their colleagues and checkers, and even for laymen, to their social and economic effectiveness.

[Question] It appears that the manager is "playing at giveaway?"

[Tarasov] In a spending economy where there is no real cost-accounting interest, effectiveness is not an end in itself for which it would be possible to endure much. Inasmuch as the management situation as a rule is unique and confidential, no one can explain all its niceties. But a decision nonetheless has to be understandable and convincing for each corner due to the simplistic ignorant understanding of democracy which has existed among us. The manager sees a way out sometimes by not having his real decisions advertised, left as they say in one's mind, but rather by leaving on the surface primitive documented decisions and explanations for them. It is not that simple for a young starting manager to penetrate into the secrets of this duality or, as it is now fashionable to say, ambiguity of management. Consequently he often adopts outwardly correct but actually impracticable decisions. A curious detail: in those kinds of competitions where it is possible to trace

the influence of a group of four persons on the quality of the decisions, it can be seen that a collective decision as a rule is significantly inferior to the one proposed by the best of its members.

[Question] The manager is obliged to work while constantly experiencing pressure from those who want to influence the character of the decisions reached by him....

[Tarasov] Reservists are more likely to resist pressure from above than the pressure of those under them. Yielding to humanly understandable but legally improper demands of subordinates is taken by reservists as a manifestation of love of fellowman and democratism. Although this is actually loss of authority! Resistance to pressure from below comes with difficulty to young managers. In other words, the manager does not conduct himself as an official, a representative of the state, but rather as a representative of a kind of assembly. This is manifest unprofessionalism.

[Question] Are candidates able to evaluate with due weight all the consequences of a management decision?

[Tarasov] This is an interesting question. Reservists often put it bluntly: "I do not see any favorable consequences. This is a very poor decision." Or: "An excellent decision. It will not result in any negative consequences." At the same time, they often do not understand that such categorical statements attest primarily to dogmatism. Onesidedness in assessment is an echo of times when the intellect seemed to be more feared than stupidity. In the last two years, the categorical approach in judgments of our reservists has markedly abated. Both the positive and the negative are examined. It can be said that this is a kind of quantitative expression of restructuring of thinking.

[Question] Do moral qualities emerge in arguments of manager candidates?

[Tarasov] In management encounters of two persons, reservists, having the same time for making decisions measured with the help of a chess clock, must prove their superiority over the partner. We in good time explain that power can be good or evil, that it is possible to prove one's superiority by "cutting down" one's partner, but it is also possible, on the other hand to come to his aid. The latter is valued highly. However, the latter way is attained with great difficulty. It is clear that this is no longer the personal problem of each person individually but a deficiency of the general culture of our management personnel. For too long a time, a truly decent manager, one incapable of inflicting senseless damage to nature or his subordinates, has been considered weak.

[Question] Do reservists have the skill to select the best of many variants of decisions?

[Tarasov] In an early version of our business game "Organizer," in which banking activity and self-financing were lacking, one and a half hours were usually given to preparation of production. Once, this was at the time of a competition for selection into a promotion reserve for the Leningrad Gostinyy Dvor Department Store, we decided to allot an extra hour for preparation, and we ourselves left. Returning much sooner, we decided to take a look to see how things were going. It turned out everyone had completed preparation of production and was seated with folded arms. When production started, it was found that most of it was insufficiently well prepared and the team, the leader in previous forms of competition, completely failed by producing almost entirely faulty products. Later we ran into the same thing: reservists prepare an assignment only once, although there is time to prepare it two and even three times to avoid errors. The problem is not in laziness but in the absence of a habit of self-correction. I would define this defect as the absence of a second breath.

[Question] When the Khimki affiliate of the Tallinn school held a competition for the selection of management candidates in one of Moscow's rayons, it was observed that the future "captains of industry" did not know how to approach the financial side of the game....

[Tarasov] Actually our typical reservist fears commercial activity and does not hide this. When in the game we sell at auction the portfolios of directors of banks or of intermediate and trade transport offices, it is found to be a rather difficult moment. Even when we sold portfolios of bank directors at a competition of potential reservists in the former USSR Ministry of Foreign Trade, we managed to sell these portfolios for a rather large wage fund (in competition marks). At the same time, the director who purchased his portfolio at the auction was

so much under the impact of his important action that he subsequently did not conduct any banking activity and turned over all the personnel of his bank for hire to "production organizations."

And yet he took first place among the "bankers," since the rest were unable to ensure for themselves even the return of loans given at interest. However, the initial fear quickly disappears among most of them, and the new businessmen without hesitation launch themselves into doubtful commercial operations. Thus, once in Riga we were even obliged to introduce into the game "people's control" so that we would not have to pay from our own pocket the shortage of goods coverage by the game money at the bar.

In a word, today commerce for our reservists is a dark forest where some are afraid of everything and easily allow themselves to be misled, while others act assertively without ceremony. Fear of commerce, no less than an irresponsible attitude toward it, presents a serious defect. For a manager, this is a sign of unprofessionalism.

Of course, the list of typical mistakes of young managers could be continued on and on. But it seems to me that we have presented quite enough of them to confirm the thought that a radical change is needed in the system and methods of training the reserve of managers in the country. We refer to the necessity of changing the system of values of our socialist management and its sharp intellectualization. In the years of extensive development of the economy, we let go and lost much in the field of management. We have to make up. Soviet managers of the '90s will have to be ready for competition on world markets. And today we must find them on the basis of their inborn qualities and train them.

## ORGANIZATION, PLANNING, MANAGEMENT

### Formation of Wholesale, Contract Prices for Machinery Discussed

18230025 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 20 Nov 88 p 2

[Article by V. Pinzenik, candidate of economic sciences and senior research worker, Lvov University, under the rubric "Restructuring the Economy: Price Setting": "In the Harness of a Cost Approach"; first paragraph is introductory]

[Text] The necessity of changing the entire pricing system—wholesale, retail and purchase prices, tariffs and price-setting methods—has been stressed in directive organs' decisions. But while retail prices are being discussed, wholesale prices seem to have remained outside the public's attention. Meanwhile, restructuring has already gone beyond the bounds of theoretical discussions here. Even before the economists' search had been completed, the USSR Goskomtsen [State Committee on Prices] had approved three new methods: to set the wholesale prices for industrial and technical machine-building output and for raw material, and contract prices for the same output.

In an interview with SOTSIALISTICHESKAYA INDUSTRIYA on 1 April 1988, Goskomtsen Chairman V. Pavlov stressed the necessity of democratizing price setting. Readers noted his statement with satisfaction. But then there were remarks. In reality not one aspect of the three methods cited had been submitted for broad discussion. Specialists became familiar with them only after their approval and publication in EKONOMICHESKAYA GAZETA. And the comments made by many of them were not at all complimentary. However, considerable work is now under way at industrial enterprises to revise wholesale prices. It is being conducted in secret. But there is something to talk about.

Criticism of cost price setting has become fashionable. Hotheads are declaring under its popular flag: if it is cost price setting, let us reject costs as a pricing base. Best wishes! If there are prices, they have been and will be cost prices. After all, socially necessary labor inputs form the basis for cost (and the price is its monetary measuring instrument). The passion to set them too high is caused by the imperfection of the mechanism of economic operation, not the nature of prices as such. That is, the discussion concerns the establishment of conditions in which it is profitable not to overstate costs, but to reduce them.

What does the new method of setting prices for machine building output advocate, let us say? It provides for prices to be calculated with the aid of a price norm

established for the unit of a principal parameter—productivity, power, capacity, speed, and so forth. Supplementary payments and discounts to change other indicators are taken into account at the same time. It would seem that costs are lacking here. However, we have before us a version of the cost price that is worse. Why? Because the initial price norm was calculated on the basis of the prices in effect now which are being criticized by everyone. It reflects the conditions for production of the base equipment. But what about the new equipment which we seek to develop? This price norm does not take into account the cost of progress.

It is proposed to check the increase in prices during the course of the reform. However, this objective will not be reached with the approval of the new methods. Moreover, I venture to say that the new pricing model makes it possible to drive up the price with any costs acceptable for the manufacturer, for it is a reliable screen for an increase in outlays. There have been more opportunities for this. The selection of the base products, the principal parameters, the forms in which prices will depend on the parameters of the equipment, and so forth.

Errors and miscalculations are always possible in the search for what is new, of course. The new methods have been called provisional. They were approved under the conditions of enterprises' transition to cost accounting and self-financing and the introduction of wholesale trade in capital goods. And the problem is not that someone is experimenting, but that a revision of prices using a "raw" method is already under way in machine building. What is the solution?

I see it as use of the customary system of forming prices, when the profit is added to the production cost. But in addition to the normative amount of profit, the profit which reflects the proportion of economic gain from production and use of the product by the customer should be included in it. They may say: but where is the anti-cost orientation of the approach here? It is in the fact that there are no restrictions on the absolute amount of economic gain reflected in the price. In the event that highly efficient models are developed, the price may be substantially more than the costs. Is it advantageous to overstate the costs in such a case? No. To do that means to reduce effectiveness, to punish yourself. The less the costs, the greater the economic gain, and consequently, the amount of profit. The producer will become directly concerned with minimizing the costs of manufacture. This is also advantageous to the customer, since the absolute level of prices is reduced. Finally, incentive is provided to attain a high level of consumer value for equipment and increase its economy of use.

The form in which incentive is provided to turn out new, highly efficient equipment is not so important. What is more important is how the prices and surcharges are set and how they are coordinated with the basic consumer qualities of items.



It is clear that the anti-cost orientation of pricing should be supported by changes in other components of the economic mechanism. A real repudiation of gross output, a shift to the second model of cost accounting and self-financing, and a change in the methods of assessing labor productivity are needed...

The documents issued by the USSR Goskomsen do not practically resolve the problems of stimulating the production of new, highly efficient items and those who are turning out old items are not hit in the pocket, either. The system of price discounts for output of the first quality category has been retained in unchanged form. True, there is one more precise definition in the mechanism of establishing discounts, and it will not be difficult for the reader to assess its "progressiveness." While previously the increased price (surcharge) was abolished at first and the discount was established later, now the discount is taken from a price that has been increased already. And it often turns out to be less than the amount of the increase. As an example, a surcharge—2,300 rubles—was included in the price of the MPE-250 manipulator produced by the Lvov "Konveyer" Association (9,500 rubles). If the product is put in the first category, the maximum discount will be 15 percent, that is, 1,425 rubles. You will not say anything; it is a good penalty if they gave you a bonus beforehand, one of a considerably larger amount.

The establishment of discounts must not depend on the year of output. But on the economic loss brought by the production and operation of an obsolescent product. And all this needs to be coordinated with the customer in order to reflect the amount of the loss inflicted more accurately.

Widespread application of contract prices have been provided for under the conditions of the radical economic reform. That's all right. But there are postulates which can only cause amazement in the regulations "On the procedure for enterprises to establish contract prices." It is pointed out there that an enterprise bears responsibility for strict observance of price discipline and is obliged not to permit them to be set too high. Profit acquired by an enterprise without grounds as the result of violating state price discipline is subject to withdrawal into the budget from the collective's cost accounting income. But tell me, what violation can we speak of if the contract price is the result of an agreement between the customer and the producer?! The former agrees to pay, and the latter agrees to manufacture a product for the amount specified in the contract.

As the experience already accumulated shows, in certain cases contract relationships have led to a surge in prices. And there is no reason to appeal for business honesty here. It would be naive to assume that producers will not take advantage of their monopoly position. They will twist their customers' arms and impose the price they need for themselves. For that reason, I believe, it is necessary to insert more precise definitions in the listing

of types of products which can be sold at contract prices. A system of such prices is effective only under conditions of competitiveness and competition between producers. If this does not exist, we cannot do without state regulation in any case. If only through the establishment of acceptable price limits.

A new area for price setting has made its appearance lately. Documents on the shift by NII and KB [scientific research institutes and design bureaus] to full cost accounting have recognized the commodity nature of their output, which is sold at contract prices. But this is the first time the economists have encountered the problem of setting such prices. And it is completely understandable that serious difficulties have arisen in this matter. Many directive organs which have been so quick to cook up various types of instructions have become lost here for some reason. But the need to work out systematic recommendations exists, and it is quite critical.

It is a little too soon to end discussion of the problem of setting wholesale prices. It needs serious study.

## TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

### **Exhibition of Polish Computer Technology Held in Moscow**

18230026a Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 25 Nov 88 p 3

[Article by M. Kazakov: "Ready-Made is More Costly"; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] The exhibition "Use of Microcomputers in the Economy" held in the Orlenek Hotel has caused us to alter somewhat our opinion of our Polish neighbors, who apparently know more than merely how to assemble IBM PC computers from components made in the West.

The foreign trade association Metroneks, which for two decades has been known to us for its exports in the fields of industrial automation, computers, office equipment, and even nuclear equipment, for example, decided to carry out a bold experiment. It set up in the capital an exhibition of data base systems, not only computers.

Soviet specialists voiced enthusiasm as they became familiar with the various packages of application programs and original peripheral equipment created by Polish state, cooperative, and private firms, some very large and others very small. They jealously compared the technical characteristics of the items displayed with those of their own creations.

The Metroneks-organized exhibition made it possible to evaluate more objectively the product strengths of firms which are still little known in our country. Very interesting computer applications were shown for industry,

agriculture, publishing, resolution of ecological problems, medicine, office work, and education. The Komteks computer association demonstrated an interesting device for expanding the memory of the SM machine series to four megabytes. The sixteenfold increase in memory makes it possible to work with large programs and serve a large number of terminals.

Workers from the Warsaw enterprise Proinforg brought to Moscow a package of application programs that enable an IBM PC connected to an electrocardiograph and an original signal amplifier to perform diagnostics of cardiac functions of both "virtually healthy" people and those who have suffered an infarct.

A "tree" devised by the Warsaw Elkomp consisting of a central computer and 255 automated workstations each separated by several kilometers will be useful to both industrial and research firms. Program packages presented by the private firms Mikrogaf and Kompyuter-studiya Kaykovski of Gdynia are intended for printing various bulletins, reports, newspapers, and even books.

We have analogs of many of the above items in our country. Some are even quite good, but mostly for 8-bit computing and, to put it mildly, for ancient peripheral devices. Using them for a higher class of computing would in many cases require new designs. This prompts us to say: "Purchasing ready-made items is less costly!" However, this is the philosophy that puts us on the path which has caused us our lag in computerization.

**Yugoslav Machinebuilding Combine Described**  
18230026b Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 29 Nov 88 p 3

[Article by TASS correspondent V. Kuznetsov: "Success Does Not Come Easily"; first three paragraphs are SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] Today the peoples of Yugoslavia are observing a glorious anniversary: on 29 Nov 1945 the Constituent Assembly announced the abolishment of the monarchy and proclaimed Yugoslavia to be the Federal People's Republic (which in 1963 became the Socialist Federal Republic of Yugoslavia).

In the last few decades, under the leadership of the people's rule and the League of Communists of Yugoslavia the republic has changed from a backward agrarian country to a medium-level industrial state. Its industrial output rose by more than 23 times.

As requested by SOTSIALISTICHESKAYA INDUSTRIYA, TASS correspondent V. Kuznetsov tells us about the work of the First Five-Year Plan machinebuilding combine, which is located in the city of Trotenik (in Serbia).

The combine, an amalgamation of 11 plants, is one of the few in the country that year after year ranks third or fourth in volume of exports and invariably first in foreign exchange revenues.

"To what do you ascribe your success?" I asked combine General Director Lyubinko Dzhurovich and his deputies Zhivomir Valkovich, Dushan Popovich, and Velimir Panich. I would say that the conversation was businesslike and frank. They are alarmed by the galloping inflation and worried about the state of the economy in general.

"Without our products, hydraulic and pneumatic devices, not a single machine—be it an airplane, tractor, motor vehicle, combine, excavator, crane, or rotary cement kiln—would be able to function," they said. "We are proud of the machine tool facilities—3,000 of the latest types of program—and digital-control machines, integrated processing stations, and automatic and semi-automatic assemblies of Japanese, Italian, and Yugoslavian make, which enable us to manufacture reliable, high-quality products. In our desire to keep up with world technology, we renew our product lines every year. In 1987 our combine dropped 177 old products for new ones, while this year we replaced 261. What else can you do? Otherwise you will not find a customer in this country or beyond its borders."

The combine, which performs fairly complex manufacturing operations, can for several months make a complete or partial change to producing new products (depending upon the size of the order). Each constituent plant is responsible for its own financial management. It enjoys complete freedom relative to decisions on the product line if it is profitable and salable. The plant is involved in the mechanics of supply and demand on the world market; it operates without hindrance.

In existence for 38 years, the combine has virtually no labor turnover. There is a difference of 40 percent in wages paid to people using equipment from the simplest to the most complex. In other words, the more complicated the machine tool or assembly, the higher the wage. "We would not last long without incentive," remarked Lyubinko Dzhurovich.

"What kind of planning does the combine employ?"

"In our system, we plan for one year and for five years," answered the general director. "However, we must admit that we often adjust the annual plan, usually in April or May. Why do we do this? Inflation in Yugoslavia is growing, and we must effect restructuring on the run, so to speak. However, in December we arrive at a common level, as a rule, since everything at the plant is governed by satisfaction of market demands. Our government as we all know does no planning, and it does not revise a

plan downward. Fulfillment of the plan is the minimum task. Our main purpose is to fill orders placed by trade partners located within the SFRY and beyond the borders."

Strong ties to the Soviet Union and other CMEA countries are a stabilizing factor in the economic development and well-being of the combine.

"The annual exports of products bearing the First Five-Year Plan brand are valued at 122 million dollars," said Lyubinko Dzhurovich. "Ninety percent of the finished products are shipped to the USSR, including 60 million dollars' worth for the KamAZ alone. We are striving to make even larger shipments to the Soviet Union, to guarantee stability in production and exports."

The USSR is the First Five-Year Plan's principal trading partner. This fruitful collaboration began as early as the 1970s. The first agreement, which was signed in the middle of 1973, is still in effect.

"We are operating on the assumption," said the general director of the Trotenik machinebuilding giant, "that in the present five-year period the values of deliveries made to the USSR will exceed 100 million dollars a year. We are striving to maintain the quality of our pneumatic and hydraulic devices at a level responsive to modern technological requirements. This is the pledge of success of the 7,000-strong First Five-Year Plan collective, which in spite of the difficult economic situation in Yugoslavia is facing the future with confidence."



## CIVIL AVIATION

### Multipurpose Ka-126 Helicopter Completes First Flight

18290048a Moscow IZVESTIYA in Russian 31 Oct 88 p 4

[Report by D. Khrapovitskiy, VOZDUSHNYY TRANSPORT special correspondent: "The First Flight of the Ka-126"]

[Text] The new multipurpose Ka-126 helicopter has completed its first flight at the airport of the OKB [Experimental Design Bureau] imeni N. I. Kamov near Moscow.

And the first surprise: one of the aviation specialists who was 200 meters from the takeoff point did not notice in conversation that the new aircraft's rotor blades had been turning and that it was beginning to lift off. This is how quiet the Ka-126 is.

"But this is not its main advantage," General Designer S. Mikhayev states. "Several years ago the Ministry of Civil Aviation ordered a new helicopter from us to replace the Ka-26, which has a production service life in excess of 20 years now. Unlike its predecessor, the new aircraft is equipped with one gas turbine engine instead of two piston engines. This factor, as well as the use of new materials, has made it possible to improve its performance considerably by increasing its maximum and cruising speed and its capacity. Calculations indicate that, compared with its predecessor, the Ka-126 can achieve 3.5 times more productivity in transport operations at an altitude of 1 kilometer. Fuel efficiency is improved by up to 50 percent as much at sea level and it is more than three times better at an altitude of 1 kilometer. In addition, when it is engaged in agricultural operations at an altitude of 1 kilometer, it is estimated that the new helicopter will have more than twice as much productivity and consume half the fuel."

Better conditions have also been created for those working in the new aircraft. After the Ka-126 had climbed to an altitude of 150 meters, circled twice and landed, Test Pilot First Class G. Isayev shared his impressions:

"The new aircraft is easier to fly. There are practically no vibrations and the noise level in the cockpit is unusually low. It is very comfortable and the visibility is excellent..."

I will add that like its predecessor, the Ka-126 will be provided with a set of easily removable equipment which makes it a multipurpose aircraft. Operation is simplified, particularly in below-zero temperatures, and labor spent in maintenance is reduced. And what is of no small importance, it will not be fueled with a gasoline mixture, but with kerosene, which is available at all aviation enterprises.

According to predictions by specialists at the Ukhta Helicopter Plant imeni N. I. Kamov, it is quite possible that the new aircraft will be at operational aviation

enterprises by the end of 1990. The next tasks for them now are to conduct plant, state, and operational testing and obtain an airworthiness certificate. And series production is already under way in the Romanian city of Brasov, where the Ka-126 will be manufactured in accordance with the CEMA member countries' plans for economic integration.

### New Aviation Security Measures Noted

18290048b Leningrad LENINGRADSKAYA PRAVDA in Russian 5 Nov 88 p 2

[Interview with N. G. Kolesov, deputy commander of the Leningrad Integrated Aviation Detachment, by LENINGRADSKAYA PRAVDA correspondent Yu. Trefilov under the "Fact and Commentary" rubric: "The Lady Checked Her Baggage..."; first three paragraphs are editorial introduction]

[Text] Everyone probably remembers from their childhood the funny story about the lady who checked her baggage... "a picture, a basket, a cardboard box, and a little dog." A more unfortunate and at times a more tragic situation takes place at airports when they do not conduct a thorough examination of Aeroflot passengers' baggage.

The tragic events on board a Tu-154 aircraft bound for Leningrad from Irkutsk on 8 March this year were a black page in the airline's annals. Other air pirates also caused a lot of trouble. An analysis of such incidents attests to the fact that there is poor supervision on the ground of the things that passengers are bringing on aircraft. It is too late to investigate this in the air.

In other words, in spite of the checks, passengers are getting into aircraft cabins with objects and items that are prohibited. So that this does not happen in the future, the Ministry of Civil Aviation put the "Changes and Additions in the Organization of Passenger and Baggage Transportation" into effect on 1 November 1988. A LENINGRADSKAYA PRAVDA correspondent discusses this with N. G. Kolesov, deputy commander of the Leningrad Integrated Aviation Detachment.

[Trefilov] What is the most important aspect of this document?

[Kolesov] The addition to the rules for baggage which the passenger does not check but carries with him on the aircraft. The concept of "hand baggage" itself is made more specific. These are things which the passenger needs in flight. The overall weight should not exceed 5 kilograms. This also includes items which require careful handling in transit—movie cameras, musical instruments... It is mentioned that items requiring special care in transit may be left with the passenger after he receives authorization.

[Trefilov] So some items may be removed?

[Kolesov] They may be taken away from the passenger during the flight at the responsibility of the aircraft crew.

[Trefilov] How does this work in practice?

[Kolesov] An airport employee at check-in, a flight attendant, or any crew member has the responsibility to take the necessary precautions if any boxes, for example, which the passenger is taking on the aircraft with him seem suspicious. In this case they ask the passenger to leave these boxes in the custody of the crew until the end of the flight. The items are stored in a special compartment, where they are locked up and returned to their owner after the flight.

[Trefilov] In other words, articles and items which create suspicion that they may be used as a weapon or to conceal dangerous substances and objects are taken away?

[Kolesov] Absolutely. However, a passenger who does not want to entrust his fragile items or equipment, let us say, can put them carefully in the compartment himself. I would like to stress that suspicion about items does not mean suspicion about the passenger himself, by any means. There have been cases when certain objects have been used to attack the crew, but not by the passenger who brought them on board the aircraft.

[Trefilov] In a word, no measure which contributes to flight safety can be unnecessary?

[Kolesov] That's right! The tragic events which have taken place time and again on our aircraft attest to this. And a number of foreign airlines are introducing similar measures now. In conclusion, I want to express the hope that passengers will regard this measure with understanding. In the final analysis, this involves their safety. And a courteous request by a stewardess to put your boxed tea service or your violin in its case in a special compartment temporarily does not have to be taken as an insult. The crew bears full responsibility for the safety of these items. But even more—for your life.

## MOTOR VEHICLES, HIGHWAYS

### Construction Problems Delay Serpukhov Auto Plant Production

18290051a Moscow STROITELNAYA GAZETA  
in Russian 30 Oct 88 p 4

[Article by V. Panov, VOI [All-Russian Society of Handicapped Persons] Central Board Presidium Member: "The 'Oka' Is Not Getting Anywhere: Construction of Plant To Produce Up-to-Date Autos for Handicapped Persons Is Merely Marking Time"]

[Text] *Specialists of the Serpukhov Auto Plant demonstrated the new Oka with its manual controls at the Constituent Conference of the All-Russian Society of*

*Handicapped Persons. The delegates' opinion was unanimous: this is a splendid motor vehicle, an excellent replacement for the two-seated, ugly monstrosity which nowadays creeps, smoking and wheezing, along our country's roads.*

But just how are preparations coming along for putting this new car into mass production? "The motorcycle with side-car which this enterprise is now turning out has become obsolete," noted P. Sitnikov, SeAZ [Serpukhov Motor-Vehicle director. "Our plant, as well as the VAZ [Volga Motor-Vehicle Plant] and the KamAZ [Kama Motor-Vehicle Plant] were assigned the task of creating capacities for producing a new sub-compact model of passenger car. The Serpukhov Plant is supposed to specialize in producing these motor vehicles with different variants of manual controls. The deadlines for modernizing and expanding the production capacities for the new output have been precisely stipulated. Construction-and-installation operations worth a total amount of 5.7 million rubles were scheduled to begin in 1986 so that the first 20 comfortable sub-compact cars for handicapped persons could roll off this plant's assembly-line by the end of the current year. And by 1990 production of the Oka is supposed to reach an amount of 10,000 cars a year.

However, the Mosoblstroy-10 Trust did not begin its work at the SeAZ by the appointed deadline. And during the past year exactly zero rubles and zero kopecks of the planned 450,000 rubles of capital investments were actually "put to use."

At the beginning of the current year the Oka Cooperative undertook to tackle things with the rights of a general contractor. A well-laid-out, everyday-service "town" sprang up very quickly at the construction site, and leased equipment arrived. The work began to seethe. There was a feeling of confidence that the cooperative's people would be able to make up for lost time.

...Stacks of accurately piled, reinforced-concrete components. Rows of idly standing bulldozers, excavators, and truck-mounted cranes. An empty construction pit, marked around its edges the beginnings of the foundation. That was the scene which greeted the eyes of your correspondent at the site where the new production wing was already supposed to appear according to the plan. Scarcely more than 11 percent of the total volume of construction-and-installation work—that is the presently completed amount of the targeted program.

There is no doubting the fact that the cooperative members at the SeAZ construction site are prepared, despite the obvious blunders in delivering materials, to carry through to the end the business which they have begun. But we cannot infinitely test the patience of skilled workmen. All the more so in that the result of their labor is being awaited by hundreds of thousands of this country's citizens who have been sorely tried by fate even aside from this.

"Construction of the SeAZ's new wings is a state order, provided for by funds and material resources. But where are they? Why are you having such a hard time getting concrete?," I asked V. Rasshchepkin, the manager of the Mosoblstroy-10 Trust.

"The principal reason lies in the lack of balance between the plan and the material-technical resources, as well as in the fallacious practice of calculating by the notorious million-fold rather than by physical amounts. As a consequence, the collective contract and cost accounting have been discredited. We need 24,000 tons of cement in order to fulfill the year plan. But we have obtained no more than 12,000. There's a way to get out of this jam if we really want to."

My conversation in the Serpukhov Gorispolkom began with its chairman, I. Khazinov, telling me about implementing the comprehensive program entitled "Concern," which had been drawn up and approved by the Mosoblispolkom.

"Believe me," he said, "there are no covert or overt forms of 'applying the brakes' to the work being done on this facility on the gorispolkom's part."

In that case, please explain, Ivan Borisovich, what precisely is the form of "applying the brakes" comprising the foundation of the document which you signed and which is entitled: "Proposals of the Gorispolkom Regarding Construction in 1989 by the Manpower of the Mosoblstroy-10 Trust in the City of Serpukhov, Moscow Oblast"? How are we to understand the line drawn through the line reading "Serpukhov Motor-Vehicle Plant" on the schedule entitled "Accepted by the Ispolkom"? How is this "zero" to be balanced with a genuine concern for handicapped persons and society's duty to them...?

#### **New Road Signs Explained**

18290051b Minsk SOVETSKAYA BELORUSSIYA  
in Russian 26 Oct 88 p 4

[Article by A. Matyushko, staff member of the Minsk Gorispolkom UVD (Internal Affairs Administration) GAI (State Motor-Vehicle Inspectorate): "A Road Compass"; first paragraph in boldface is letter of inquiry from I. Ivanov, a reader from the city of Minsk]

[Text] I recently noted that new road signs have begun to appear in Minsk: they have black figures with an arrow pointing a direction, on a black background. What are their characteristic features, and how are we to be guided by them?

It is sometimes rather difficult to find one's bearings amid the cleverly interwoven streets of a big city. A system of main-route guidance is called for in order to help people figure things out. Its components are various kinds of indicators, traffic patterns, and main-route numbers. The indicators inform us ahead of time and

then immediately before the intersections of main transport highways concerning the traffic direction to various destinations, the number of the highway, etc. But so that drivers do not stray about a city, we need to post signs not just before major intersections. Due to the large dimensions and high cost of such signs, however, a substantial increase in their amounts is connected with certain difficulties. At times the indicators are replaced by small signs—5.29.1 and 5.29.2—designating a main-route number.

Let me explain what this means. Every main highway connecting cities is assigned a number. Thus, when you head out of Minsk in the direction of Moscow, you encounter the number M1; and the Brest route has the same number. The highway to Mogilev-Chernigov has the number A244, the highway to Bobruysk-Gomel—A250, and so forth. If a highway (main route) has union and international numbers simultaneously, both are used: the Moscow-Minsk-Brest Highway, for example, is designated as M1 (all-union) and as E30 (international). In this case, when the signs marked "Main-Route Number" are installed on posts, or are depicted later, their directional indicators (which are duplicated in Roman letters) show the union number first. If several main routes pass through a particular section of the highway, the signs for each of them show their numbers and their terminal points.

In Minsk the "main-route number" signs have either a dark-blue or a white background. If the background is blue, it means that you are on the "numbered" main highway itself; if the background is white, you are approaching that highway. Signs having directional arrows (they are only against a white background) are installed before intersections and, primarily, where the main routes branch out or change direction. In such cases, the letters are not indicated on the signs, but only the figures are incised so that the number involved not be mistaken for the number of the road to be intersected. Large, informational panel-charts have been installed at the entrances to the city; they show the principal thoroughfares and the "numbered roads" leading out of the city. Minsk's existing system of main-route guidance is being improved. Needed signs are being installed, while existing indicators are being renovated and brought into line with the standards and regulations of road traffic.

#### **RAIL SYSTEMS**

##### **Aurora Crash Conclusions Published**

18290060a Moscow GUDOK in Russian 5 Oct 88 p 2

[Article: "Crash On the Berezayka-Poplavenets Run"]

[Text] The Board of the Ministry of Railways has examined the materials of an official inquiry into the crash of the high-speed Aurora Passenger Train No. 159 on 16 August. The wreck occurred on the Berezayka-Poplavenets run of the Bologoye Branch and involved many human victims. Explanations were delivered by the



leaders of the railroad, the branch and the main administrations of the MPS [Ministry of Railways]. Today we are publishing a report on the decree that has been adopted.

The crash occurred at 1824 hours at the end of the 307th kilometer of the Moscow-Leningrad line while the train was traveling at a speed of 152 kilometers per hour. Fifteen cars jumped the rails. A fire broke out from a kitchen stove in the dining car and it subsequently spread to other cars. Twenty eight individuals died in the crash and 122 were hospitalized, of which number one third died in a hospital as a result of injuries sustained. Medical and material assistance was provided to the victims. Concern was displayed for the families and relatives of those who lost their lives.

The direct material damage caused by the crash amounted to 489,000 rubles. Twelve cars were written off the inventory and one half kilometer of track and 2.5 kilometers of contact network were damaged. There was an interruption in train movements of approximately 16 hours.

The probable cause of the wreck: movement of the track from its normal position.

It was established during the inquiry that the senior railroad foreman of Bologoye Maintenance Section, Comrade Gavrilov, who directed work aimed at straightening the track and eliminating vibrations at the 307th kilometer point only 2 hours prior to the passing of train No. 159, had crudely violated the operational technology called for in Point 4.2.1 entitled "Technical Instructions for the Laying and Maintenance of Non-Jointed Track." The raising and packing of the sleepers was carried out using a VPR-1200 machine at a rail temperature which exceeded their bolting temperature by 30 degrees Celsius, against a tolerance of 15 degrees excess. The carrying out of work under such conditions was categorically forbidden owing to the danger of warping (heaving) of the track. The temperature stresses in the rail lengths and a weakening of track stability as a result of the track raising up could result in track vibrations as a train passed over the section.

The acting chief of the maintenance section, Comrade Khrustalev, had not ensured maintenance of the track in proper working order and he allowed track work to be carried out with violations of the Instructions for Operation of the VPR-1200 straightening-sleeper packing and leveling machine. The work was carried out in the absence of the senior engineer-technologist who, in addition to other responsibilities, was charged with gathering information on the condition of the track, developing a program for correcting defects and also for controlling the condition of the track, using manual measurement instruments, after the machine had passed.

The engineer of Train No. 141, which passed through the area 26 minutes prior to the wreck of Train No. 159, sent a report to the duty officer at Berezayka Station, Comrade Karpova, concerning extensive vibrations experienced at the 307th kilometer and he expressed a need for having this sector inspected by railroad workers. However, Comrade Karpova did not transmit this report to the train dispatcher, the railroad foreman or to the locomotive engineers of trains about to pass that point, including the engineer of Train No. 159.

The unstable nature of the track, in addition to the defects in its maintenance, could also have been affected by the tectonic activity of the ground, noted on 16 August in the area which included the scene of the wreck.

The elimination of the consequences of the wreck was complicated by the difficulties encountered in attempting to reach the cars—swampy terrain and a rapidly spreading fire. The passenger cars being produced and supplied by industry involve the use of inflammable materials which release highly toxic substances.

The duration of the restoration work was largely influenced by the absence of modern equipment on the firefighting and restoration trains, equipment which makes it possible to carry out work under difficult conditions and at a rapid tempo.

In eliminating the consequences of the wreck, a great amount of assistance was received from local party and soviet organs, the inhabitants of nearby populated points, passengers, military personnel, militia workers and civil defense staff personnel. Workers from medical institutions carried out their work in a highly skilled and efficient manner.

At the same time, a certain amount of sluggishness and inefficiency was noted during the course of organizing recovery operations following the wreck and also in providing services for the passengers at the terminals in Moscow and Leningrad.

Serious shortcomings were tolerated on the Moscow-Leningrad high-speed line in the organization of accident-free operations, in the selection, placement and training of personnel and in solving acute production and socio-domestic problems. Many leaders of the October Railroad and the Bologoye Branch of the road did not ensure the proper maintenance of equipment along an extremely important sector for high-speed passenger trains nor absolute fulfillment of the rules and instructions for servicing the sector.

Technological "windows" for the current maintenance of the track were made available on an irregular basis and in many instances the duration of these windows was inadequate. Technical inspections of the high-speed

trains are not always carried out in as complete a manner as possible. Low quality checks and repair work are carried out on the brake leverage systems and dampers of the passenger cars.

Work aimed at strengthening discipline and raising the responsibility of workers for carrying out their assigned duties is being carried out on a very weak scale.

The subunits of VNIIZhT [All-Union Scientific Research Institute of Railroad Transportation] are displaying sluggishness in solving the problems of the Moscow-Leningrad high-speed line and they are applying themselves only weakly to carrying out their own scientific works concerned with high-speed movement.

A number of workers attached to the October Railroad are being held accountable for serious shortcomings in maintaining the track and other items of technical equipment and in their personnel work, for not ensuring safety of movement and for allowing the wreck of the Aurora high-speed passenger train No. 159 to occur.

In accordance with an order handed down by the chief of the Bologoye Branch of the road, the senior road foreman of the Bologoye Maintenance Section Comrade Gavrilov and the deputy chief of this railroad division were removed from their positions.

Based upon an order issued by the chief of the October railroad, the 1st deputy chief of the Bologoye Branch of the road Comrade Izmodenov, the deputy chief of this branch and chief inspector for safety of movement Comrade Bazarov, the chief of the road's track service Comrade Shulenin and an inspector for safety of movement Comrade Lantsov were all removed from their positions.

The deputy chief of the rail service Comrade Yakunenko and the chief engineer of the transport service Comrade Stolyarov were held strictly accountable.

An investigation of the wreck and its consequences is being carried out by organs of the procurator's office.

The Board of the MPS has examined measures for further raising the technical level and operational reliability of the Moscow-Leningrad line and also other trends associated with high-speed movement.

A recommendation was made to make the circumstances surrounding the Aurora train wreck available to each railroad worker. Towards this end, it was also recommended that production meetings be held in the labor collectives and that individual interviews be conducted taking into account the conditions prevailing in the various areas. At such times, the causes of accidents must be revealed and the workers mobilized in the interest of waging an active campaign against poor discipline and mismanagement.

The appropriate leaders are tasked, within a two-month period, with carrying out a thorough check along the Moscow-Leningrad sector to ensure fulfillment of the PTE [Technical Operation Rules] and the Instructions for the Technical Servicing and Operation of Installations, Equipment and Rolling Stock and in organizing movements in sectors which handle passenger trains with speeds of from 141 to 200 kilometers per hour, the placement and staffing of personnel, solving socio-domestic problems and carrying out a complex of measures aimed at ensuring that the system operates in complete conformity with the requirements established for high speed movement.

Overall direction with regard to ensuring that the Moscow-Leningrad line conforms to the mentioned requirements for proper maintenance of the system and for preparing operations for the impending winter has been assigned to the 1st deputy minister Comrade Fadeyev.

The leaders of the October Railroad and its branches have been tasked with immediately examining the situation with regard to ensuring safety of movement in each system and line subunit, adopting specific measures aimed at eliminating serious shortcomings and miscalculations in operations, strengthening discipline and restoring order in the maintenance and repair of technical equipment, particularly the track.

A check on the condition of the track must be carried out not less than three times monthly by track-measurement cars. When necessary, the issuing of warnings limiting speed of movement, during an inspection of track by a track-measurement car, should be reported immediately by radio to the duty officers of stations along the run and to the train dispatcher. In addition, upon arrival at a station which has telegraph, this fact should be confirmed in the established manner by means of a category "A" urgent telegram.

In 1989-1990, the plans call for the construction at the Bologoye Maintenance Section of a repair-operational base and the introduction of the collective contract in the subunits of this section.

Tasks have been assigned to the appropriate leaders for the training of railroad engineering personnel and for the priority delivery to the road of new track equipment and materials. Planned technological "windows" of not less than 2 hours in duration must be made available on a daily basis for a high-speed route. It is categorically forbidden to abolish them or to reduce their duration.

At points for the formation or turn-around of the Aurora train, special brigades of repair workers are being created and the recertification of train brigades will be carried out.

Specific measures have been defined for improving the training and instruction for locomotive brigades which provide services for high-speed movement and for improving the equipment for technical offices and working areas and the deciphering of speed measuring tapes.

The task has been assigned of accelerating the introduction into operations on the Moscow-Leningrad line of technical equipment which will improve safety of movement and particularly devices for the automatic stopping of trains in response to warning signals, the "Transport" radio communications system, automatic equipment at crossings and tape recorders at stations.

The plans for 1989 call for the Moscow-Leningrad line to be equipped with the DISK diagnostic system, with a spacing interval for the devices which will guarantee safe movement for high-speed trains.

Responsible leaders and specialists have been tasked for preparing recommendations for the development and series production by industry of passenger cars with better planning for the compartments and improved fire-prevention qualities. The question has been raised of accelerating the introduction of non-inflammable and fire-resistant materials, equipping passenger cars with an automatic system for extinguishing fires and also building dining cars with electrical stoves. On the October Railroad, the dining car stoves of high-speed trains must be converted over to electrical operation this year.

Within a period of 2 months, a recommendation must be prepared for equipping restoration trains with technical equipment which will make it possible, under difficult conditions and at accelerated rates, to localize the centers of a fire and to remove derailed rolling stock.

Attention has been focused on the need for notifying medical workers and transporting them to the accident scenes and for achieving closer interaction between the medical workers of railroads and the organs of local public health.

The inspection system of MPS and the railroads must ensure continuous control over the condition of the technical equipment and the actions undertaken by railroad workers in connection with the movement of high-speed trains.

A complex of measures must be developed in the immediate future for the accelerated development of the social sphere of subunits which service the Moscow-Leningrad high-speed line. In connection with the unfavorable situation which prevails with regard to ensuring safety of movement within the railroad system, a recommendation has been made to have appropriate leaders of the MPS and the railroads implement specific measures aimed at radically improving the condition of the rails and installations, particularly on the high-speed routes of the network. To carry out the autumn board inspection of the railroad and installations in a high quality manner.

To employ the needed logistical and human resources for correcting the problems uncovered and for ensuring the timely preparation of the railroad system for winter operations.

In the interest of raising the technical level and operational reliability for the Moscow-Leningrad line, and also other high-speed movement routes, the plans call for the development a technology for the capital repair of the track for the Moscow-Leningrad line: to increase the production of switches having a continuous riding surface and spare parts for them. The task was also assigned of examining the complete transfer of transit shipments of fertilizer, peat, sand and other free-flowing freight on flatcars from the Moscow-Leningrad high-speed line to other routes and also the handling of cars with axial loads in excess of 24 tons in a manner so as to reduce ballast contamination and the dynamic effects of the rolling stock on the track.

The task was also assigned of developing, during 1989-1990, methods for diagnosing, forecasting, strengthening and stabilizing embankments built on swampy terrain.

In 1988 and 1989, devices must be developed for automatically controlling the riding smoothness of rolling stock and they must be installed aboard high-speed trains.

In view of the great flow of passengers between Moscow and Leningrad, the task has been assigned for 1988 of examining the economic and social feasibility of building a special high-speed line between these cities taking into account international experience.

The plans call for other measures aimed at reinforcing safety of movement for high-speed trains.

The Board is holding a number of leaders of the main administrations of the MPS and the October Railroad strictly accountable for their actions. The chief inspector for safety of movement and deputy chief of the railroad Comrade Rodinov and the 1st deputy chief of the Main Administration of Lines Comrade Kemezh have both been removed from their positions. The question concerning the removal from office of the deputy chief of the railroad Comrade Melkov will be examined after he has regained his health. A stern reprimand has been handed down to the deputy chief of the railroad for personnel and social questions Comrade Gustov. He has been warned that he will be held strictly accountable if decisive measures are not undertaken in the reorganization of personnel work.

Stern reprimands were also handed down to the chief of the railroad Comrade Zaytsev, the chief of the Bologoye Branch Comrade Annenkov and to the chief of the Main Administration for Lines Comrade Mitin. Deputy Minister Comrade Isingarín was issued a strict warning. The inadequate level of work organization in connection with safe train movements was pointed out to the deputy



minister and chief of the Main Administration for Safety of Movement Comrade Kozlov. The attention of the deputy minister for personnel Comrade Pingarev was directed towards the serious shortcomings noted in the selection, placement and training of personnel.

### **Inadequate Rail Service To Tengiz Deposits Examined**

18290060b Alma Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 3 Dec 88 p 4

[Article by M. Khamzin, chief engineer of the West Kazakhstan Railroad, Aktyubinsk: "Kulsary—In A Strict Regime"]

[Text] In the opinion of specialists, the Tengiz oil and gas condensate deposit is one of the most promising ones in the country. It is no secret that everyone is excited over the development of the Tengiz deposit. Many foreign firms and our CEMA partners are displaying interest in Tengiz. Today more than 150 enterprises and organizations are engaged in developing this deposit.

It would appear that we can only be pleased with the fact that the work is not being postponed and that all efforts are being directed towards supplying the country with the needed raw materials as rapidly as possible. However, we are confronted here by a serious danger: the construction of railroad installations is being carried out at an extremely unsatisfactory rate. If we view Tengiz as the heart of a promising region, then the railroad lines and installations here serve in the role of arteries. Is it possible to imagine a healthy heart without normal arteries? However...

At one time (specifically in 1984), a plan was developed for the Kulsary-Tengiz spur track railroad. I emphasize the word spur, which implies auxiliary. And this signifies that the main line diesel locomotives and trains cannot normally be used on this road. The speed will be considerably lower and dangers will arise in connection with the transporting of freight. Who was guilty of handing down such a plan? It would be easy to reply—the Moscow State Planning and Research Institute for Transport Construction. But this would be only half correct, since the planners based their work upon the initial and incomplete notions concerning the scale of the Tengiz deposit—the data made available by the general customer—the country's Ministry of the Oil Industry.

The situation has changed sharply. The shipping volumes planned for 1995 have already been reached and they are expected to increase still further. Naturally, given these needed but nonetheless unplanned volumes, the Kulsary Station found itself to be operating under a strict regime. This is today. And what about tomorrow? Millions of tons of diverse types of freight flow together here. There should be more than 60 kilometers of spur track, even in accordance with the obsolete plan. As yet

only 20 have been built. Of 150 consignees—these are powerful construction and other organizations—only 20 have their own spur tracks! And this is paralyzing the overall operations.

Hundreds of freight cars lie idle and remain unloaded for long periods of time. During October alone, an average of 400 cars arrived at Kulsary Station for unloading and 200 remained unloaded each day. Thus a need exists for radically examining the attitude of all of the departments and workers in the Tengiz region towards solving the complex of transport problems. Indeed, we have many examples of how the neglect of auxiliary branches and viewing them as being of secondary importance can lead to economic losses, both direct and indirect. Will Tengiz truly become a sad lesson? The transport branch is an auxiliary one and yet it must be confessed that not one of the principal branches can succeed in its absence.

Meanwhile, the general customer—Minnefteprom [Ministry of the Oil Industry]—has still not started to address the problems of the Kulsary railroad workers. The plans call for the construction of the needed housing and socio-cultural and domestic facilities, but no results have as yet been achieved despite the use of various means. The railroad workers have still not received so much as one square meter of housing space, despite the fact that the station's collective has increased in size by twofold over a brief period of time. Our comrades should learn from our Hungarian partners. Before commencing direct operations at Tengiz, they erected an excellent housing complex with all of the needed lines of communication. For our part, because we initially economized in the use of resources for our auxiliary (but not secondary) branches and for solving social problems, we will subsequently have to pay two and even three times as much.

It is my opinion that a need now exists for completing the development of Kulsary Station with the construction of spur tracks. With the plan for the Kulsary-Tengiz spur track already prepared, there is no need for postponing its implementation. I believe that equal importance should be attached to recognizing the fact that solutions for the social problems confronting the railroad workers will serve to ensure normal operations for this busy sector of the road. Indeed, we cannot have a heart without arteries.

*From the editorial board: When the above material was prepared for the press, the problem concerned with further development of the deposit was being examined at Tengiz. A committee headed by a deputy chairman of USSR Gosplan drew similar conclusions. The urgent need for solutions for the problems raised by the letter's author is recognized as valid. But, in addition, it was recommended that the railroad workers themselves join in the work directed towards strengthening the mainline railroad lines: Kandagach - Makai - Kulsary - Beyneu and Makai - Guryev - Aksarayskaya.*

## **BAM's Fate Hinges On Resolving Social Problems**

18290045a Moscow PRAVDA in Russian 24 Oct 88 p 3

[Article by Ye. Sorokin, Moscow: "Nakhalovki on the Baykal Amur Trunkline"]

[Text] The fate of the trunkline is dependent upon solutions being found for the social problems.

It was only recently that they laughed at us along the trunkline. And in the reports of former leaders of Glavbamtroy [Main Administration for Construction of the Baykal Amur Trunkline], Construction-Installation Train No. 698 was listed in that section which began with the words: "Unfortunately, in a number of areas resources are still being scattered and employed on installations of secondary importance." There also were some stronger statements made.

Having heard them, the chief of the SMP [construction and installation train], V. Novik, experienced difficulty in attempting to maintain his outward calm as he secretly swallowed some pills. The leaders of other trains advised him in a condescending manner:

"Actually, that is all so much nonsense. What are you, some kind of a kulak?"

To many, Novik's partiality towards a subsidiary farm appeared to be strange and difficult to understand. Hardened over a period of many years of difficult times in the taiga and tundra, the BAM [Baykal Amur Trunkline] workers initially accepted as proper their scanty ration of vitamins, powdered milk and dried pelmeni. On the train, Novik had fresh cucumbers, tomatoes, greens and onions almost the year round. Not to mention milk—an entire farm provided support, worked the fields and looked after the crop rotation plan. But this was the responsibility of the chairman of the leading kolkhoz and not the leader of the construction train. He had everything: a club and kindergarten, a school and ensemble, a discotheque, game machines and even a children's "Sweet Tooth" Cafeteria. One could remain busy on the farm for a full 24 hours. To a casual observer, it appeared that people came to Olekma to sing and dance and not to build the trunkline.

Thus we looked in on the SMP-698: we regarded it casually with cold glances. "The BAM is alive with activity, the personnel do not leave the route for days on end. And you must understand that the personnel celebrate weddings on Saturdays and on Sundays there is public merry-making. We stand on ceremony." But they only saw a scandal in this—they perceived violations in such well-being. During the period of command-administrative methods, it was easy for a leader who was bound by instructions to find such violations. And this was especially true if he lacked intelligence or acted too boldly. And there were those whom one could find fault with: it was said that the SMP was engaged in illegally

cutting down timber. The case was assigned to a court. Novik expended a great amount of effort and resources in an attempt to prove his innocence and to remove the stain of suspicion from one of the leading BAM collectives. It was maintained that it was the result of the times. But indeed, people make their own times and the opposite does not hold true. The desire to report and to be viewed handsomely against a background of "golden junctions" and "silver rails" was stronger than the party obligation to display at the very least a minimum amount of concern for the personnel.

As a result, the BAM was characterized by temporary elements: house trailers and barracks. The very profession of a transport builder began to be associated with an extremely disorganized routine. Throughout all of these years, this was compensated by one factor—a higher coefficient than was the case for other categories of workers. As a result, the "pictures" were seen only along the BAM and in Tyumen Oblast: huts mounted on supports and covered with old materials, tar paper and plywood and alongside—Zhiguli or Volga automobiles. What arguments could an owner advance? If an apartment could be obtained in the western regions, it was goodbye to the trunkline.

Certainly, there was nothing wrong with an individual earning such an advancement. As the saying goes, for one's health. And although the BAM was not as generous as earlier, it was still nevertheless justifying the expectations of a majority of the builders. Yes, only the BAM was not being built for the sake of BAM, but rather in the interest of forcing the adjacent territory of one and a half million square kilometers to work in behalf of the country. And thus a need exists not for temporary people, but rather for individuals who will establish deep roots in the land here.

Thus, it has already turned out that this construction project has attracted the best workers: skilled, intelligent and ideologically stable. And if the situation is examined in a realistic manner, then it would appear that this is the only force capable of breathing life into the adjoining territory and of carrying out the BAM section of the Far Eastern Program. Thus interest is now being shown, in every possible way, in retaining such personnel on the BAM project. In particular, there is a desire to have a higher quality of life here than is found in other regions of the country.

And what is actually happening? Even in Tynda, the BAM capital, the public catering support for the enterprises is only at 55 percent of the norm, domestic services—43, movie theatres—29, schools—74, laundries—28, polyclinics—29 and hospitals—40 percent. The people have grown tired of believing in promises of "better times" and are returning to where they came from. With a population of 70,000, Tynda is annually losing 10,000-12,000 individuals while gaining only 8,000-10,000. Intrigued by this colossal migration, the

sociologists conducted an interrogation of these "refugees." And although it was clear even in the absence of sociology exactly where the dog was buried, the study once again confirmed that approximately 60 percent of those who were abandoning the BAM were doing so because of its faulty infrastructure.

In the settlement of Taksimo, which is located in the Buryat sector, there is a special microregion with the unofficial title of "Nakhalovka." It is clear from the title alone that homes were built here without any authorization whatsoever. Cluttered with rubbish and lacking a water supply line, illumination and even names, the crooked streets resound with the barking of dogs, squealing of pigs and cackling of chickens. Occasional vehicles raise clouds of dust which deposit thick layers on wash hung out to dry.

It was 2 years ago that Timbril Batuyevna Bazarzhapova came here from Ulan Ude with her husband and four children. The family had increased in size and the paternal home had become crowded. Thus they came here in the hope that their housing requirement would be satisfied in the BAM region. This same hope was entertained by Natalya Dondukov and her husband who came here in 1982 from Gusinoozersk. Similar to the residents of "Nakhalovka," these families turned out to be uninited guests along the trunkline.

"Nobody awaited our arrival here" stated the neighbors. "Thus we live like bears in a den. Water is brought in by water-carriers, the club is several kilometers distant and the school is even farther away. Quite often the stores have only canned foods."

Taksimo is one of the more promising stations. In the not too distant future, it will become a large terminal which will link the railroad (a highway is already in place) to Sukhoy Log where a huge construction project is in progress. Here, in Taksimo, the plans call for the construction of a construction industry base. There would appear to be a need for holding on to each pair of working hands and each family. But a day does not pass without one of the settlement's residents leaving the area forever.

But is it only here that such a situation prevails? The construction of a majority of the settlements is being carried out on a delayed basis and in an incomplete manner. Today even the leaders of Mintransstroy [Ministry of Transport Construction] and its Bamtransstroy Association (until recently, the former Glavbamstroy) recognize that a miscalculation was tolerated. They were counting upon bachelors and they acquired families instead. However, even today these social mistakes are still not being corrected. Why must we tolerate such hard-headedness?

Such was the question I addressed to the USSR Minister of Transport Construction V. Brezhnev.

"Indeed, until recently even we were not viewed as the masters of the BAM," he replied. "There was an order—to build the road first of all. We proceeded with the construction work. The material and human resources were not elastic in nature—they simply were inadequate for satisfying the requirements for housing and socio-cultural needs. Yes and they still are in short supply. Meanwhile, the road must be introduced into operations next year.

Fine, what will we transport over the road after we have finished building it? At the present time, we are already suffering annual losses on the order of 150 million rubles. What are we still waiting for? Indeed, the ministries and departments which, in conformity with the Far Eastern Program, are obligated to develop the BAM zone, have for all practical purposes been sabotaging the work for 2 years now.

Thus, why should we hurry in turning the trunkline over for permanent operations? For what purpose? So that the rails may rust? Would it not be more wise to divert the contingent of 100,000 BAM workers towards finding solutions for the region's social tasks? Indeed, at the site of the temporary housing this would require only approximately 900 million rubles worth of capital investments for the construction of normal homes. This would merely be for the purpose of improving the appearance of the settlements. But indeed these settlements would serve as the basis for those departments for which the BAM is being built: Mintsvetmet [Ministry of Non-Ferrous Metallurgy] and Minugleprom [Ministry of the Coal Industry], Minlesprom [Ministry of the Lumber Industry] and Minvostokstroy [Ministry of Construction in the Far East and Transbaykal Regions].

Thus it is believed that at the present time the principal efforts of the BAM workers should be applied here. Today, as never before and as nowhere else, ideal opportunities exist here for commencing the mastering of this tremendous territory and for solving its social problems. Certainly, objections may be raised within Mintransstroy [Ministry of Transportation Construction]: Is this what happens, with colleagues arriving who are prepared for everything? By no means! Minlesprom and Minugleprom must be forced to allocate funds for construction, which Mintransstroy will carry out in their interest. At such a time, there no longer will be a need for drawing them into the BAM region by means of a snare. The departmental attitude which has already caused some problems can at least here be overlooked for a period of time.

The opinion expressed by the Minister for Construction in the Eastern Regions of the USSR is rather interesting in this regard: "If we wish to master the BAM zone at an accelerated tempo, then by rights Mintransstroy should transfer its subunits over to us, at least a portion of them. And also the construction industry base which is in operation along the BAM."



Actually, what will we lose if we introduce the trunkline into operations 2-3 years later? It would be good if it were to operate at one half its workload during the 1992-1993 period. That is, during the period when the BAM becomes a true road, dependent of course upon the completion of the North Muyskiy Tunnel.

I am aware that these thoughts are controversial. But we must comprehend life today for the BAM workers, for "Nakhalovka" and "Shankhai" and the squalor of their living conditions. We will then acquire a sense of doubt: is a railroad needed at such a price? And who exists for the sake of what: the people for the sake of the road or conversely?

The pre-eminence of man, confirmed during the 19th All-Union Party Conference, is a social priority—it is indeed a pivotal point of the Far Eastern Program. Dozens of ministries are participating in the work of carrying it out. The Baykal-Amur Trunkline is presenting them with a favorable opportunity for revealing new approaches for solving social tasks and for displaying unique economic thought, the shortage of which quite properly has caused them to be objects for criticism.

**BAM Development, Problems Noted**  
18290047 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 11 Oct 88 p 2

[Article by L. Rumyantsev, deputy editor of the rayon newspaper SEVERNAYA PRAVDA, and SOTSIALISTICHESKAYA INDUSTRIYA's correspondent V. Cherkasov (the BAM route): "An Unclaimed Road"]

[Text] Builders of the BAM [Baykal-Amur Mainline] from Vitim to the Khani Railroad Yard are getting ready for a second "golden joining." In October 1984 the mainline rails came together on the Chita section, enabling through operating train traffic. Now the decisive point will be laid on this section, and, with startup into regular operation, the BAM will be operating in the mode that is usual for MPS [Ministry of Railways] railroads.

Substantial construction might has been concentrated right now in the Transbaykal's north. About 100 million rubles of capital investment are to be assimilated in the one-and-a-half startup years, and the Ikabya, Chara and Kuanda Railroad Yards are to be introduced with all the infrastructure—housing, schools, hospitals, shopping centers, and children's institutions.

The Baykal-Amur Mainline veteran—Bamstroyput [BAM Right-of-Way Construction Administration], which began the construction project back in 1976 in south Yakutia, is based at the Chara Railroad Yard, which is being built. It consists of 4,500 people, eight enviously equipped construction and installing trains, six motor-vehicle columns, a mechanization administration, quarries, and concrete-and-mortar and auxiliary enterprises.

The one hundred million rubles assimilated for this endeavor is a trifle. Only the sponsoring collectives have carried a full workload. The rest were content with modest amounts of work, they mopped up unfinished jobs and strenuously sought a way out of the situation.

The local BAM people often were working a thousand kilometers from the base subunits. Some were placed on jobs in accordance with "schedule allocations" of Glavbamstroy [Main Administration for Construction of the Baykal-Amur Mainline] (now BAMtransstroy [BAM Transport Construction Trust])—on electrification of the Transsib [Transsiberian Railroad], for example. Others found jobs independently.

"What will happen to us next?" This anxious question was the main one at meetings of BAM settlement residents with commissions of various ranks that participated recently in the "mainline of the century."

"Each time we ask such questions, without getting an understandable answer," says V. Indrik, first secretary of the Kalarskiy party raykom of Chita Oblast. "The fate of the construction organizations that have finished their work in our rayon disturbs us very much. The people do not see the prospects, they write, phone and come to see us. What can we tell them if neither Bamtransstroy nor USSR Mintransstroy [Ministry of Transport Construction] itself, the way I understand it, do not know what to do?"

We became acquainted with Lyubov Frolova, librarian, and Nikolay, her husband, a worker of Mechanized Column No 151. A typical BAM family, possibly a few more children—six. And all were born on the BAM, far from sunny Moldavia—the motherland of their parents.

"Our fathers are waiting impatiently for their grandchildren," says Lyuba. "And we shall go on vacation—we shall be bored and long to return. The BAM has now become our native home. How can we do without it?"

Recently the Kalarskiy Rayon ispolkom adopted an unprecedented decision: to close all production-type construction on the Chara-Khani section until Mintransstroy takes housing and social, cultural and domestic-amenity facilities seriously. And the representatives of the local authority can understand. At present there are 10,600 railroaders on the books on the route who need housing. Last year the line grew by 700 more.

Of course those who work on the BAM get earnings which, with a coefficient (1.7) and a northern increment, exceed 2-fold or more the earnings of those on the "mainland." And, of course, they also get more vacation time. But also here is nature—the taiga, mountains, innumerable streams, lakes—wide-open spaces for fishermen and hunters.

Kalarskiy Rayon is in first place in Chita Oblast in birth rate and number of marriages. It also is among the leaders in the number of individual hothouses. Is it possible that all this soon will have to be discarded, left behind?

Deputy chief of the railroad V. Kalaganskiy is fairly optimistic in mood:

"The turnover of the BAM for permanent operation will be done within the overall startup complex. It will include only that which will support the servicing of trains during the initial period. That is why the builders will not leave the BAM in 1990. They will continue erection at the railroad yards of the facilities that were laid down in the design of the railroad. So it is that there will be enough work during both the 13th and the 14th Five-Year Plans."

Another problem is serious. The railroad will receive each year from MPS 200 million rubles in subsidies. It stands to reason that this will not stimulate great enthusiasm on the part of workers of the mainline, which converted this year to economic accountability. How many can be parasites on the state? "We built the BAM, but there is nothing for it to carry." This opinion is held fairly widely. Some even pronounce this expression with a certain portion of malicious pleasure.

Yes, today only two through trains of coal passed over the Western section per day. The amount of haulage over the "Little BAM" in the northern direction is not much more than a third of that in the southern. A scanty freight flow is the main reason that the railroad is a planned loser.

When introduced into permanent operation, the situation will not be changed. It is planned that 9 million tons of freight will be hauled annually over the western shoulder (from Tynda), and even less—6 million tons—over the eastern one.

But let us recall the reason that the BAM was built. Those who are at least a little bit acquainted with its history say without hesitation: the road was laid through mountains and swamps, rails were laid over permafrost for the sake of conquering the local natural resources, which formerly were practically inaccessible.

"More than 30 years have elapsed since Udokan copper was opened up," says V. Chechetkin, chief geologist of PO Chitageologiya [Chita Geological Production Association] and candidate of geologico-mineralogical sciences. "In 1972 one of the world's largest fields was turned over to USSR Mintsvetmet [Ministry of Nonferrous Metallurgy]. High-capacity reserves of coking coal and rare-earth ores have been found nearby. There has already been talk about creating here a mining and metallurgical combine. However, the fate of Udokan, as before, is unclear, although during this five-year plan experimental production should be undertaken here."

The recent decision to disband the Udokan expedition of the Transbaykal Trust for Engineering and Surveying Operations indicates the attitude of the ministry toward the fate of the unique field, which perhaps is obvious to all. Right now the surveyors are abandoning already the inhabited settlement without completing the amount of work planned.

The main flow of the railroad's freight should be hauled in accordance with the orders of the many branches of the economy that are interested in assimilating the area along the route. But there are practically no such orders right now.

In the near future, true, a flow of freight should be plugged in here soon, primarily from the Transsib. MPS is counting on concluding new contracts for the delivery of in-transit containers going to Europe from Pacific-Ocean basin countries, and vice versa. However, this will not be enough to cover the losses.

It is estimated that the BAM can become completely self-reimbursing only when freight turnover reaches an astronomical figure—200 billion ton-kilometers per year. This is still very far off. Assimilation of local natural stores is a long-term and expensive matter. Billions of rubles must be spent to get to Udokan's copper ore. And how many such unclaimed riches are there along the whole line!

Obviously, USSR Gosplan must once more "strain" all the proposed facilities for mastery through the sieve of common sense and the economy's actual possibilities. Determine which of them are first priority, and throw all the capital that way.

#### **BAM Development Mistakes, Future Highlighted** *18290040 Moscow SOVETSKAYA KULTURA* *in Russian 11 Oct 88 p 3*

[Article by Viktor Perevedentsev, candidate in Economic Sciences: "Where is the Road Leading?"; first three paragraphs are SOVETSKAYA KULTURA introduction]

[Text] In September 1984 the "golden spike" was laid on the route of the Baykal-Amur Mainline. At that time many people thought that the road was built. Perhaps this error was the fault of the journalists, who did not explain to the readers that from laying the tracks to turning over the mainline for permanent operation was a "distance of tremendous measure" on BAM particularly. This huge error was also furthered by the fact that, by government resolution, the mainline should have been completed in 1983.

There is a resolution, but there is practically no BAM. Of course, cars and even an entire consist can stretch from Ust-Kut on the Lena to Komsomolskaya-na-Amur. They can go through, but you cannot operate the road normally,

and carry freight and people. Turning over the mainline for permanent operation is outlined, if the deadlines are not extended once again, for the end of 1989.

Indeed, BAM has unfortunately become a typical "long-term construction" project, as they sometimes say, "the longest memorial of an epoch of stagnation." Today, in a period of restructuring, it is time to think about the construction history of the second Transsiberian road and learn a lesson for the future.

BAM is a multipurpose railroad. To reduce the route from the western regions to the Far East, to relieve the Transsiberian, to create the conditions for the economic development of a vast—1.5 million square kilometers—zone, rich in natural resources, to improve the transport connections of the northern parts of Eastern Siberia and the Far East with other regions of the country—those are the basic economic goals, for the sake of which the country has proceeded to this tremendous, expensive construction.

In the early years of its construction, I listened, at a scientific council on BAM, to many extensive special reports, not to speak of a multitude of speeches. There were also several all-union scientific conferences, and conferences on the problems of constructing the mainline and the economic development of its zone. The goals set were grandiose—right up to creating a grandiose industrial belt, an integral part of which was to be the country's fourth coal-metallurgical base. Irkutsk Oblast, Khabarovskiy Kray, Amur Oblast and the Yakut ASSR fought bitterly for the proposed first large metallurgical plant with a complete cycle in the east of the country. Each one wanted to obtain it. The voices of skeptics affirming that this sort of plant was in general not needed in the BAM zone were drowned in the chorus of voices of the enthusiasts. In this question, just as in others, the "ideology" of extensive development of the national economy predominated totally. On the route and in its vicinity, about ten large new TPK—territorial-production complexes—were planned, and their development was proposed to be extremely rapid, within the limits of this century. For some reason it was thought that the mineral deposit discovered should be immediately prospected, and the prospected one—should immediately be worked. It was as if the present generation was the last in the history of mankind, and our grandchildren and the grandchildren of our grandchildren would no longer need anything.

True, the mood changed quite quickly. While, for example, in the first years of BAM construction they said insistently that the rich Kholodnenskoye deposit of polymetallic ore had to be developed more quickly, the point of view of the geologists then prevailed, according to which the deposit must not be operated right now—it would create a tremendous ecological threat to Baykal. In time the ecological approach to the construction of BAM, and particularly to its zone was increasingly manifested.

It is as if the authors of the BAM project did not even think of ecology. It is asked, why spoil two dozen kilometers of the Baykal shore—from Severobaykalsk to Nizhneangarsk? Knowledgeable people felt that the route could have been laid elsewhere. It should in general be noted that the effect of BAM at the stage of its construction at Baykal was most unfavorable: the runoff of unpurified and inadequately purified everyday sewage, large entry into the tributaries of Baykal of petroleum products, numerous forest fires, etc.

Now, it appears that the construction in the BAM zone of an overwhelming majority of national economic projects will be carried over for the next thousand-year period, beyond the limits of the year 2000. Because of this, the question of its economic compensation is becoming exacerbated.

Unfortunately, in the 1970's the plans for the gigantic construction projects, which include the "second Transsiberian," were not discussed by the community. Neither I, nor other rank-and-file members of the USSR Academy of Sciences scientific council on problems of BAM whom I asked, had seen any technical-economic substantiation of this construction project.

Later, however, scientific studies were made of the problem of the economic compensation for the mainline. According to the "maximum" variant, when many resources should have been invested in compressed periods for economic development of the zone, the road would have paid for itself in 2017; according to the average variant, by 2037; according to the "minimum"—in the second half of next century. The actual investments in the national economy of the zone, however, were much lower than this minimum variant.

I remember that the normative period for compensation of national economic objects is taken in our country as eight years. Here it becomes clear that the construction of the Baykal-Amur Mainline appears to be an exceedingly ruinous business for the national economy.

The point, of course, is not that the road is unnecessary. If it had not been under construction for so long and not at such tremendous expenditures.... Usually they think that the tremendous length of time for construction of the mainline—over 15 years—was caused by difficult natural conditions. Specialists, however, think otherwise. Yes, the conditions are difficult. But after all, the equipment is unprecedented, the like of which has never before been seen at our other construction projects. A tremendous amount of imported equipment has been bought—in the United States and Canada and in the FRG and Japan.

I recall that the Transsiberian from Chelyabinsk to Vladivostok was built in ten years. The conditions for its construction were also far from easy. They built the Transsiberian from two directions—from Chelyabinsk and Vladivostok, but BAM—from many points. The



equipment at that time—at the turn of the century—was not up to our standards. The Transsiberian was twice as long as BAM. Still, it took only ten years!

The causes are in no way natural, but rather social difficulties. The BAM construction was poorly financed. Frequently one could read in the newspapers that the heroic BAM workers took a year to perform six months work at a certain section. They worked, of course, and as a rule, well, but that was not the point. Gosplan simply allotted them half of the resources that should have been utilized in a year, according to the capacities of the construction organizations.

It is well known to everyone familiar with BAM that the road construction was not properly prepared. No preliminary construction bases were set up. The construction industry for BAM, for example, at Shimanovsk, began to be developed at the same time as the construction of the road itself, and its completion is not in sight. Therefore, a great deal that was necessary for the construction project had to be gathered from the entire country. Not only housebuilding panels but also bricks and other building materials had to be transported from the central and western regions. All the cities and settlements for BAM were shared among the regions of the country which should have built these cities and settlements with their own construction workers and their own building materials. The city of Tynda was constructed by Muscovites, who delivered—over 7500 kilometers—homes from the capital's housebuilding combine; the city of Ural—by Ukrainians; Severobaykalsk—by Leningrad workers, who set up their housebuilding combine to produce earthquake-proof houses.

This economic disgrace was covered up by beautiful words on internationalism and on the fact that the entire country was building BAM, that time must be gained and that this, they said, covered the economic losses.

The reader already knows how they "gained" time. They paid for this "gain" very lavishly—the cost of the imported homes "cost them a fat penny." I think that the erroneous nature of the decisions made was clear to many from the very beginning. I recall how emotionally, intelligibly and conclusively I was convinced in 1977 by the first director of the Moscow construction workers in Tynda, Korostyshevskiy, that the housebuilding combine had to be built immediately, at the site, in Tynda. Houses would not be brought here from Moscow, only cement from nearby plants. There are "fillers"—rubble and sand—in abundance here at the site. A housebuilding combine has not, up to now, been built in Tynda. The erroneous nature of the decision made has now been proven in practice. In the city of Neryungri in the south of Yakutiya, where the natural conditions are much more difficult than in Tynda, a similar combine was built at the start of construction of the Southern Yakutsk Territorial Production Combine, and the housing construction there is going much more quickly and cheaply than in Tynda.

The lack of preparation for the construction of BAM and the confusion at its start can be clearly seen by the procedure under which construction subdivisions were sent to the route. At the most difficult, "key" section of BAM, in Buryatiya, tunnel builders were the first to be settled, and for two or three years they had essentially nothing to do. These highly skilled professionals were forced to engage in something for which they had no skill: chopping down sections of forests and building houses and local roads.

The Baykal-Amur Mainline, if completely necessary, could have been built faster and less expensively. This is not only my opinion but also the opinion of the members of the scientific council on BAM who were closest to the railroad construction and the BAM construction workers themselves, of various ranks.

If this construction had not been inevitable, I think that it was not begun at the proper time. There are a tremendous number of unfinished construction projects in the country, and their completion—because of the huge expenditures for BAM—is being delayed even more.

If the BAM project had been widely discussed—the decisions could have been substantially different. This lesson is worth mastering, to avoid future mistakes.

What will be transported on BAM? In the first years of its construction this problem was, judging by discussions in the scientific council, fully clear. Above all—oil! The truly tremendous flow of it should be carried by rail to Ural and from there—along the oil pipeline to the ocean. The petroleum was designed mainly for export, and particularly—for our Far East. Huge, 120-ton tanks were constructed for these transports. Then, however, the oil did not appear, and the problem of the basic freight flow on the new road no longer arose.

Minerals were the freight second in volume and significance, it was thought earlier. Primarily, the iron ores of Udokan, a huge deposit in the north of Chita Oblast. The development of Udokan, however, has now been carried over to the next thousand-year period. So here, too, no large cargo flow was envisioned. The BAM zone is rich in minerals, but they were not slated for extraction on a large scale. The only exception is the hard coal of Southern Yakutiya. BAM was not needed for its export, however. Coal is delivered along the so-called little BAM—a branch from the Transsiberian to Southern Yakutiya.

The only significant freight of local origin is timber. Good forests, suitable for operation, however, are found only in small remote sections of BAM—in Irkutsk Oblast and Khabarovsk Kray. Incidentally, in Khabarovsk Kray the timber was formerly transported along the Komsomolsk—Berezovka railroad, which after renovation was included in BAM. And in Irkutsk Oblast—from the Lena to the Baykal Range (this is only about 300 kilometers, that is less than one-tenth of BAM) new timber industry

enterprises, made up mainly of self-procurers from various republics and oblasts in the country, have been set up. These self-procurers are essentially pillaging the taiga. As a rule, they do not build permanent settlements or roads. They select the best trees in the forest and discard all the rest. Both the scientific workers and the local authorities are unanimous on the fact that the self-procurers must be eliminated.

In any event, timber freightage is on the whole negligible.

Ideas have been expressed about the fact that part of the freight from the Transsiberian should be transferred to BAM. This was argued because of the fact that the freight flow was rapidly increasing and on some sections it was difficult for the mainline to cope with it. Now, however, the eastern part of the Transsiberian has been reconstructed, is being converted to electric traction and its throughput capacity has increased. The cost of transporting is very low on the old route, but on BAM it will inevitably be high at first. Under the new economic conditions—cost accounting and self-financing, as well as competition—the probability of a "victory" for BAM is extremely doubtful.

So "the situation has no issue": so far there is nothing to transport along the expensive new railroad. So far the Baykal-Amur Railroad is unprofitable. In order for BAM to pay for itself, a great many freight flows are needed. The possibilities of passenger transport are also slight.

In a word, the situation has become difficult, and a way out of it can only be found through the collective minds of many specialists. I express my opinion, without particularly insisting that I am right.

First of all, an attempt should be made to avoid having a small load, in the next few years of the railroad, leading to underdevelopment of the road, to incompleteness, which will poison life for decades. The situation is still bad with respect to the locomotive and car depots, other production projects and the social infrastructure. Approximately one-third of the initial capital investments have not been utilized. At the same time, there are still projects and work that are not highly capital-intensive, which the construction workers usually call "trifles." The desire to save on what has not been built appears. This sort of "economy" must be avoided.

Measures must also be taken to increase the loads for the road, which would make it possible to improve the economic indicators of its operation. One of the possibilities is to speed up construction of the Amur-Yakutsk mainline, for which "little BAM" serves as the start. The distance from Neryungri to Yakutsk is about 800 kilometers. They have been preparing to construct it for ten years, though, that is, they want to create another long-term construction project.

Since the development of the extracting industry in the BAM zone is being seriously delayed, thought should also be given to speeding up other directions of the economy.

From the very beginning of the BAM epoch, the Severo-baykal Territorial-Production Combine has planned to specialize on recreation, long rests for the workers and tourism. Although some conditions here have deteriorated (precisely because of BAM, for example, the forests have suffered seriously from fires), the natural potentials are still high. If anywhere else in the Northern Caucasus there was a natural hot spring with a capacity such as at Kakusy, a whole resort town would be put up around it. But here? A few huts and a home-made swimming pool, enclosed by a wattle fence.

A large tourist area must be created at the north of Baykal. These places greatly value independent tourists. Why not start tourist trips from Ust-Kut to Tynda or even to Irkutsk? A person flies to Ust-Kut and goes to Baykal, where he rests for a while, and then goes to Tynda and goes home by plane. With good presentation of the matter, there will be no driving away those wanting to get a tourist permit for these places, and the railroad will obtain an additional load and additional revenues. This direction of development is all the more desirable, since the leisure industry in our country, unfortunately, is extremely slack, particularly in Siberia.

There is a dense fog over BAM. Not only the rank-and-file workers, but also the party, soviet and economic directors are not clear as to what will be constructed here and when, how much will be constructed here, how many and what sort of workers will be needed, and how the economic and social prospects are for the BAM cities and settlements. Many people, naturally, are disturbed by the question—where to work and with what, for three years, for five years, what the wages will be, when will the apartment be obtained. Where will the other members of the family live? Who will teach the children and where and when will they finish the general education school?

So far construction workers predominate in the BAM cities. But after all, this is a temporary matter. Already, many BAM people now living at BAM, are working at other locations. For example, they are rebuilding the eastern section of the Transsiberian. They are working on shock duty. Usually what happens is that the people live permanently under the best conditions (climatic, housing, everyday life) and travel to work where the conditions are worse. Here it is the other way around. The climate at BAM is more severe. The housing is poor. In general the BAM cities and settlements are, unfortunately, very poor and uncomfortable to live in. That is where the families stay and that is where they have to return from the shock work.

With respect to the economic and social future of the BAM cities they think not only of those on the route itself, but also in the capitals of the oblasts, kray's and

republics, through the territory of which the mainline passes, as well as in Moscow and Leningrad. They draw up the master plans for the cities, determine what plants and factories will be built here, how many people there will be, the housing and everything necessary for normal human life. And what do we see?

Here LenZNIIEP, that is, the zonal scientific research institute of experimental design, proposes the future city of Severobaykalsk for 140,000 people. IZVESTIYA recently came forth with a just, in my opinion, protest against this master plan. Why is this city on the shores of Baykal? How will its inhabitants be employed? Will it be good for the lake?

Some departments would like very much to erect machine building plants at BAM. Proposed for Severobaykalsk is a large aviation engine plant and a huge electric machine building plant, employing 12,000 persons. Why and for what purpose? I think that the same force draws the departments to the shores of Baykal as to the shores of the Black Sea. It would be very convenient to visit Baykal for "official" needs.

Are machine building plants on the shores of Baykal necessary for the country, the people, the national economy? The high seismicity, that is, additional expenditures to erect enterprises, the severe climate, that is, the need for "northern" surcharges—all this has a great effect on the economic indicators for enterprises. So far, not the collectives but the country have borne all the additional expenditures. How will it be with the new economic mechanism?

Local soviets are interested in attracting large machine building plants to "their" cities. So far, the main investments in the strictly municipal economy are allotted for industrial enterprises. A plant rises up—there will be water pipes and sewer systems and asphalt. The railroad construction workers and "chiefs" will leave the BAM city in a sorry state. In Severobaykalsk only about one-fourth of the population lives in capital-type houses, built by the Leningrad workers. The rest live in every type of ersatz-housing: barracks, small railroad cars and gullies. It is very difficult to "make sense" of such a city, to make it genuine and modern. The attitude of the municipal soviet to me, as a person, is clear.

In Tynda a major economic leader told me that for six months they had prevailed upon him to sign a technical-economic substantiation for locating a huge agricultural machine building plant—for 8000 workers—in this city. Are there really not incomparably more suitable places in Amur Oblast for such a plant? Why place it on permafrost and doom the workers and their families to life under such severe conditions?

Incidentally, by special decree, special BAM-worker rates were established for the BAM construction workers, with considerably higher coefficients for wages than those generally accepted for this belt. Under ordinary rayon rates, an acute shortage of work forces was fully possible.

The amounts of the wages were tremendously important for drawing workers to BAM. However, having attracted workers, higher wages cannot "consolidate" them. The living conditions in general, and provision with housing are much more important in developing permanent personnel.

It is not by chance that such abnormal correlations have formed. This is, unfortunately, the planning of USSR Gosplan, not to mention the fact that the plans for housing construction are regularly unfulfilled.

One day the scientific council on BAM problems heard a report made by a responsible worker from Gosplan, which, among other things, stated that in the year 2000, the average inhabitant of the BAM zone would have 11 square meters of total housing area apiece. This aroused general amazement, since for the country as a whole, the housing provision had already exceeded 13 meters.

It appears to me that this is a faulty practice. The residents of the North should have preferential housing-everyday conditions, to compensate them for the inevitable climatic and other difficulties of life. This will make it possible to have highly skilled workers here. The time has come to stop coping with Siberia and the Far East as a number. Relatively few skilled workers, furnished with the best equipment in a special "northern" version, will do much more and better work than unskilled people who come here for a short time to work for "a wheelbarrow," a cooperative apartment, etc. The new economic mechanism is called upon to create the conditions for radical changes in the matter of economic development of the new regions.



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